

## **Supplement to the 2006 Annual Report to the Illinois General Assembly on Insurance Cost Containment**



Rod R. Blagojevich, Governor

Dean Martinez, Secretary  
Michael T. McRaith, Director of Insurance

---

July 2006

To the Honorable Members of the 96th General Assembly:

The Illinois Insurance Cost Containment Act requires the Director of Insurance to submit an annual report to the General Assembly by April 15th containing his analysis of the Illinois insurance market and his recommendation of the most appropriate and comprehensive cost containment system for the state (Article XLII, 215 ILCS 5/1202(d)).

In accordance with the requirement of Section 1202 of the Illinois Insurance Code, I submitted the Annual Report to the General Assembly on Insurance Cost Containment for 2006 on April 15, 2006. It contained significant information on both a nationwide and Illinois basis regarding the underwriting results for the property and casualty insurance industry for the year 2004.

In the cover letter for the 2006 Annual Report, I reported that I asked my staff to provide a supplement to this report, which would include 2005, and later data and information. This document supplements the 2006 Annual Report that was submitted on April 15, 2006.

Sincerely,

Michael T. McRaith, Director  
Illinois Division of Insurance

## **TABLE OF CONTENTS**

	<u>Page</u>
Purpose of This Supplement . . . . .	1
Overview . . . . .	3
Direct Premiums Written and Loss Ratios by State . . . . .	5
Analysis of the Marketplace . . . . .	8
Availability . . . . .	8
Herfindahl/Hirschman Index and Market Shares by Line of Business . . . . .	8
Market Shares of Residual Market Mechanisms. . . . .	16
Participation in Alternative Risk Transfer Mechanisms . . . . .	22
Profitability . . . . .	24
Reliability . . . . .	32
Financial Solvency Regulation . . . . .	36

### **Bibliography**

Appendix A: Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2005.

Appendix B: Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2005.

Appendix C: Consolidated Statement of Income for Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2005.

Appendix D: Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2005.

Appendix E: Consolidated Insurance Expenses Exhibit Part III of Illinois-licensed Property/Casualty Insurers for 2005.

### **Purpose of This Supplement**

The Division of Insurance is required by statute to submit an *Annual Report to the Illinois General Assembly on Insurance Cost Containment* by April 15<sup>th</sup> of each year. Because much of the insurance company financial data necessary to compile the report are not available until March 31<sup>st</sup>, some information in the Annual Report is nearly 18 months old at the time of publication. For example, the Annual Report submitted on

April 15, 2006, summarizes insurance information for calendar year 2004.

However, with the significant changes in the property and casualty insurance markets over the past several years, the Division believes a more timely review of the Illinois insurance marketplace is in order. This supplemental report looks at market conditions occurring during 2005 and the first several months of 2006 to provide a more accurate assessment of the current Illinois property and casualty industry.

Note: Some of the data included in this report is the same as that reported on April 15, 2006. This redundancy is primarily found in the information derived from the data filed pursuant to the Cost Containment Act.

## Overview

This supplement to the April 15, 2006 report contains information and data for the year 2005 for the following lines of business: Homeowners, Private Passenger Automobile, Commercial Automobile Liability, Workers Compensation and General Liability.

Unlike the spring of 2004, in which many midwestern states experienced quite a few violent storms causing much property damage, the storm seasons of 2005 and 2006 have been relatively mild. Although Illinois experienced wind damage through the central belt the rest of the state experienced little if any storm related damage. Losses as a percent of earned premium in the homeowners' line of business after dipping below the 50 percent level to 45.4 percent for 2004 and remained level at 45.6 percent in 2005.

According to the Insurance Information Institute, the cost of auto insurance increased by just 2.5 percent in 2005, and is projected to rise by only 0.5 percent in 2006, despite record vehicle-related losses from last year's hurricane season. The cost of auto insurance is increasing by about one-sixth the rate of inflation, according the I.I.I. Losses incurred as a percent of earned premium in Illinois were 56.9 percent for 2005. This was a decrease from a level of more than 70 percent in 2001.

The Consumer Price Index (CPI) for homeowners insurance fell 1.4% for the twelve months ended April 2006, and rose .5% for automobile insurance during the same period, according U.S. Division of Labor statistics.

In the Workers Compensation line of business, losses as a percent of earned premium have risen slightly compared to nationwide figures since 2004. Losses in Illinois were 69.6 percent compared with nationwide losses of 68.7 percent in 2004. In 2005, workers' comp losses in Illinois were 74.2 percent compared to nationwide losses of 64.7 percent.

## DIRECT PREMIUMS WRITTEN AND LOSS RATIOS BY STATE

**Figure 1** shows a breakdown of total direct premium written (DPW) and losses incurred for the property/casualty industry by state from 2001 through 2005.

Direct written premium in Illinois totaled \$20.8 billion in 2005, representing 4.2 percent of total written premium nationwide. Property/casualty losses in Illinois were for 56.5 percent of direct earned premium in 2005, a decrease of 5.6 percent from the previous year and the lowest loss ratio in the past five years.

**Figure 1**

### Total US Property/Casualty Industry (\$ In Millions)

#### State Distribution and Loss Experience

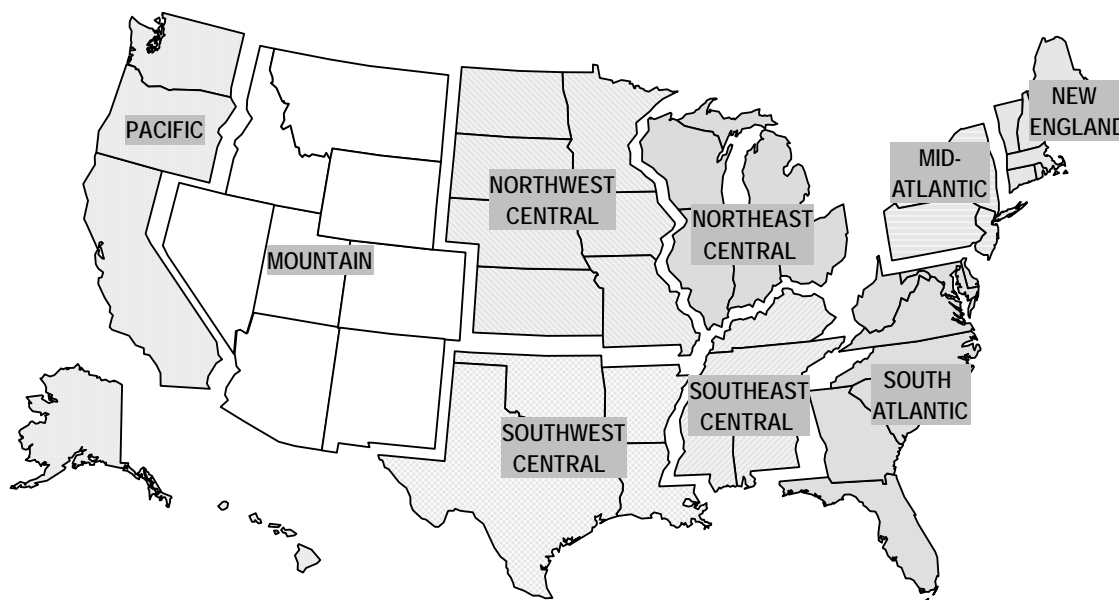
		\$					% of Total DPW						
		*Direct Pure Loss Ratio (%)											
R	State	2005 DPW	2005	2004	2003	2002	2001	2005	2004	2003	2002	2001	5 Yr. Avg.
1	California	64,582	13.1	13.9	13.3	12.7	12.3	51.8	53.4	62.9	72.0	70.3	65.6
2	Florida	35,638	7.3	7.5	7.2	7.1	7.0	87.9	62.1	60.4	70.5	138.3	80.0
3	New York	35,015	7.1	6.9	6.5	6.5	6.5	54.3	115.2	52.2	61.3	64.0	71.2
4	Texas	32,757	6.7	6.9	7.0	7.1	6.9	63.4	49.5	62.8	78.5	96.4	73.2
5	Illinois	20,831	4.2	4.5	4.7	4.6	4.5	56.5	62.1	70.1	75.2	81.1	72.7
6	Penn.	19,610	4.0	4.1	4.0	4.0	4.1	58.7	63.5	66.9	76.0	75.3	71.1
7	New Jersey	17,234	3.5	3.6	3.4	3.5	3.5	60.4	60.4	61.1	67.1	68.5	64.5
8	Michigan	16,130	3.3	3.5	3.4	3.6	3.6	64.0	61.6	70.6	75.5	83.9	73.5
9	Ohio	13,824	2.8	3.0	3.6	4.0	3.8	53.2	53.6	65.6	74.7	76.1	69.4
10	Georgia	13,211	2.7	2.7	2.6	2.6	2.7	59.5	62.4	64.1	63.2	68.7	65.1
11	Mass.	11,934	2.4	2.5	2.4	2.5	2.5	55.6	55.6	59.5	59.7	66.6	60.1
12	N. Carolina	11,308	2.3	2.3	2.3	2.3	2.4	52.7	59.3	61.4	60.5	63.5	62.1
13	Indiana	10,453	2.1	2.2	2.1	2.1	2.2	59.2	58.1	59.2	66.7	70.5	65.0
14	Virginia	10,441	2.1	2.1	2.0	2.0	2.1	47.7	53.5	73.6	61.0	63.6	64.7
15	Maryland	8,914	1.8	1.9	1.8	1.8	1.8	52.6	51.8	65.8	62.9	84.3	68.0
16	Missouri	8,855	1.8	1.9	1.8	1.8	1.8	54.5	57.8	64.9	67.1	85.1	68.3
17	Minnesota	8,700	1.8	1.8	1.7	1.7	1.7	59.8	57.4	71.5	73.2	72.5	68.8
18	Washington	8,606	1.8	1.8	1.7	1.7	1.8	48.7	53.7	56.0	61.4	77.3	63.0
19	Arizona	8,390	1.7	1.7	1.7	n/a	n/a	56.2	60.1	62.1	n/a	n/a	61.1
20	Colorado	8,252	1.7	1.7	1.6	1.7	1.7	48.6	57.9	76.5	67.0	70.6	68.3
	All other	<u>126,531</u>	<u>25.8</u>	<u>23.3</u>	<u>22.2</u>	<u>25.3</u>	<u>25.7</u>	<u>90.2</u>	<u>62.3</u>	<u>60.0</u>	<u>66.2</u>	<u>73.4</u>	<u>65.8</u>
	Total	<u>491,214</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>66.9</u>	<u>61.0</u>	<u>62.1</u>	<u>68.8</u>	<u>78.8</u>	<u>68.0</u>

\* Direct Pure Loss Ratio is calculated by dividing losses incurred by direct earned premium.

Source: 2003 to 2005 data: NAIC State Data Network; aggregate 2003 to 2005 Schedule T for all property/casualty insurers. Data for years 2001 through 2002 from Best's Aggregates & Averages-Property/Casualty, United States and Canada, Supplement, 2003 Edition.

**Figure 2** shows total direct written premiums and losses for the property/casualty market for ten regions of the United States during 2005 and the average over the last five years.

**Figure 2**  
**Distribution of Direct Premiums Written and Loss Ratios by Region**



	Pacific	Mountain	Northwest Central	Southwest Central	North Central	Southeast Central	Mid-Atlantic	South Atlantic	New England	Other *	Total All Regions
Percent Total 2005 DPW	17.0 %	6.4%	6.7%	10.2%	14.4%	5.0%	14.9 %	18.7 %	5.4%	3.0 %	100.0 %
Direct Loss Ratio – 2005	51.3 %	54.0%	53.9%	126.9 %	58.7%	108.9 %	56.9 %	67.2 %	53.9 %	51.9 %	67.0%
Direct Loss Ratio – 5 Yr Avg	61.3 %	62.1%	64.3%	81.5%	67.1%	78.2%	71.5 %	66.0 %	59.3 %	53.5 %	67.6%

\*The "other" region includes American Samoa and Guam, Puerto Rico and the U.S. Virgin Islands and Canada.

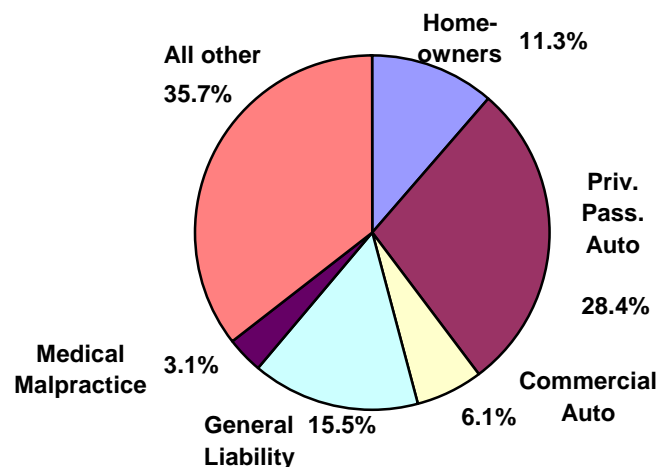
The Southwest Central and Southeast Central regions both experienced loss ratios above 100 percent during 2005 as a result of both Hurricanes Katrina and Rita. Hurricane Katrina made landfall twice, first on August 25 in Florida as a Category 1 hurricane with 80 mph winds and then on August 29 on the northern Gulf shore as a Category 4 hurricane with estimated winds at 140 mph. Florida also experienced two other Category 3 hurricanes in 2005 –Hurricane Dennis on July 10 and Hurricane Wilma on October 24.

In the aftermath of the 2004 and 2005 hurricane seasons homeowners insurance rates along the Gulf coast and in the Southeast have skyrocketed. Many homeowners whose homes are paid for are opting not carry coverage, but those with mortgages are required to by their lenders and must buy coverage at whatever price they can get. Florida, Texas and Louisiana offer state-run insurance programs to coastal residents, but the coverage is "bare-bones" and high priced. Many homeowners are electing to

increase their deductibles for a slightly lower premium. Florida's state-run program has grown so large it is close to becoming the largest insurer of homes in the state.

**Figure 3** illustrates the distribution of property/casualty premium written by line of business during 2005 in Illinois. As the chart shows, personal-lines insurance (homeowners and private passenger automobile) makes up the largest portion of the property/casualty market. Private passenger automobile (28.4 percent), including both the liability and physical damage component, is the single largest line of insurance. Cost Containment data are reported to the Division pursuant to Illinois Administrative Code Title 50, Chapter I, Subchapter iii, Part 4203 – “The Cost Containment Data and Reporting Requirements” for the following lines of business: private passenger automobile (liability and physical damage separately), homeowners (including residential fire), commercial automobile liability, and specified insurance classes from the medical malpractice and other liability lines.

**Figure 3**  
**Percent by Line of All Property/Casualty**  
**Premiums Written in Illinois (2005)**



Source: NAIC State Data Network

## ANALYSIS OF THE MARKETPLACE

From both a consumer's and a regulator's standpoint, insurance regulation should provide an environment where:



- 1 Coverage is available.
- 1 Coverage is offered at a reasonable price.
- 2 Coverage is available from reliable insurers.

The Cost Containment Act requires the Division to analyze the marketplace each year and to recommend changes that may be needed to correct market problems.

The Division measures the overall competition of the Illinois marketplace by looking at three elements: availability, profitability, and reliability.

### **Availability**

The Division measures availability in three ways:

1. Herfindahl/Hirschman Index (HHI) and Market Shares by Line.
2. Market Shares of Residual Market Mechanisms.
3. Participation in Alternative Risk Transfer Mechanisms.

#### Herfindahl/Hirschmann Index (HHI) and Market Shares by Line

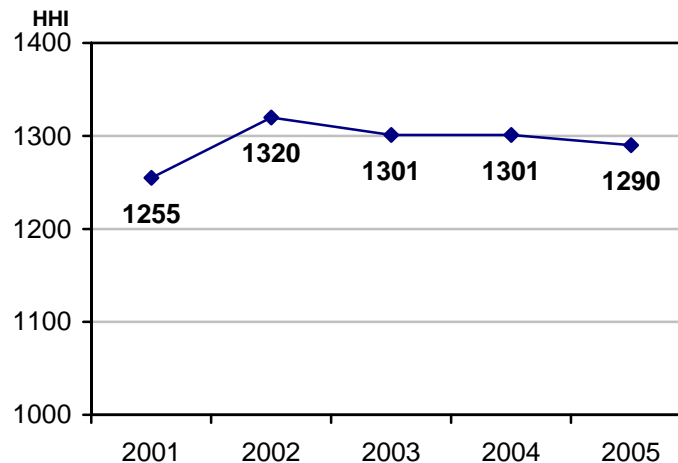
The Cost Containment Act requires the Division to collect and analyze data in five major lines of business: homeowners', private passenger automobile, commercial automobile liability, medical malpractice, and other liability. This report contains a comparison of underwriting results for Illinois versus nationwide for these five lines of business and an analysis of market concentration and market share in the State of Illinois. Market concentration is determined using an economic measure known as the Herfindahl/Hirschmann Index (HHI). The HHI is the summation of the squares of each company's market share. Generally, an HHI of 1800 or above is an indication that the market may be too highly concentrated and may be approaching anti-competitive behavior.

## Homeowners HHI

**Figure 4** provides a graph of the HHI for Illinois homeowners' insurance from 2001 through 2005. After reaching a five-year high of 1320 in 2002, the HHI for homeowners insurance has dropped down to 1290 for calendar-year 2005.

**Figure 4**

### Illinois Market Concentration - Homeowners (2001-2005)



The top ten Illinois homeowners' writers (including residential fire) and their market shares for 2005 and 2004 are shown in **Figures 5 and 6**.

**Figure 5**

### Top 10 Homeowners Insurers in Illinois – 2005

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire And Cas Co	\$710,559	\$706,618	32.0%	49.2%	1.1%	13.4%	1.5%
Allstate Ind Co	175,557	155,888	7.9%	48.1%	1.1%	14.4%	1.0%
Country Mut Ins Co	167,052	161,688	7.5%	46.9%	1.1%	14.6%	2.3%
Allstate Ins Co	165,650	172,102	7.5%	40.4%	0.6%	11.2%	1.6%
American Family Mut Ins Co	130,529	134,171	5.9%	50.1%	0.6%	12.1%	1.7%
Illinois Farmers Ins Co	129,942	128,127	5.9%	44.5%	1.3%	17.5%	2.0%
Economy Premier Assur Co	36,733	39,127	1.7%	34.1%	0.5%	14.5%	1.3%
Travelers Personal Ins Co	33,145	35,674	1.5%	41.9%	0.0%	17.3%	4.7%
Liberty Mut Fire Ins Co	30,663	30,440	1.4%	46.8%	0.8%	9.4%	1.6%
Auto-Owners Ins Co	24,606	24,360	1.1%	63.2%	0.4%	20.5%	2.9%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 6**  
**Top 10 Homeowners Insurers in Illinois – 2004**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire And Cas Co	\$703,822	\$680,223	32.3%	47.3%	1.1%	13.1%	1.8%
Allstate Ins Co	177,756	182,866	8.2%	37.3%	1.6%	11.7%	1.9%
Country Mut Ins Co	156,047	145,269	7.2%	48.5%	1.1%	14.7%	2.1%
American Family Mut Ins Co	137,481	128,229	6.3%	52.3%	0.0%	12.1%	1.9%
Allstate Ind Co	137,403	113,250	6.3%	56.5%	1.1%	14.1%	1.3%
Illinois Farmers Ins Co	126,093	125,067	5.8%	42.8%	2.7%	16.8%	1.8%
Economy Premier Assur Co	41,458	44,770	1.9%	38.9%	0.3%	17.2%	1.3%
Travelers Personal Ins Co	37,731	36,357	1.7%	32.5%	1.7%	17.8%	3.6%
Liberty Mut Fire Ins Co	29,221	19,108	1.3%	43.9%	3.1%	8.5%	4.2%
Auto-Owners Ins Co	24,019	22,603	1.1%	61.1%	0.3%	20.2%	1.2%

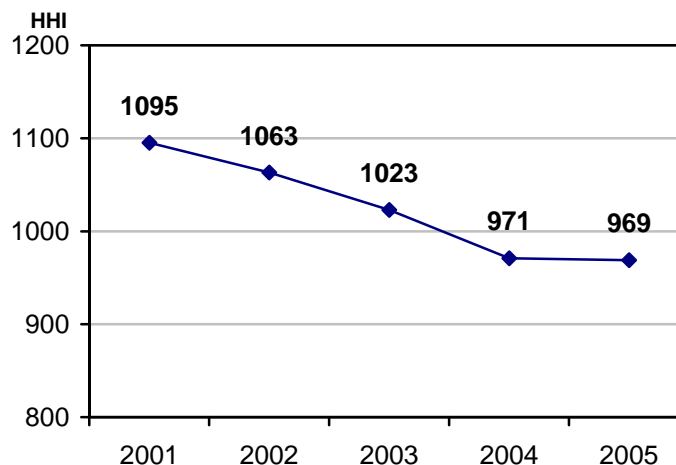
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

### *Private Passenger Automobile HHI*

**Figure 7** provides a graph of the HHI for Illinois private passenger automobile insurance (including liability and physical damage) from 2001 through 2005. It suggests that the market for private passenger coverage has generally become more competitive since 2001.

**Figure 7**

### **Illinois Market Concentration - Private Passenger Automobile (2001-2005)**



**Figures 8 and 9** show the top ten Illinois private passenger automobile writers (liability and physical damage coverage combined) and their market shares for 2005 and 2004.

**Figure 8**  
**Top 10 Private Passenger Auto Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mut Auto Ins Co	\$1,562,550	\$1,571,918	27.9%	63.6%	3.2%	7.4%	-0.2%
Allstate Ins Co	388,869	393,609	7.0%	47.3%	2.0%	11.7%	1.7%
Country Mut Ins Co	322,766	327,816	5.8%	61.6%	1.8%	9.0%	1.5%
Allstate Prop & Cas Ins Co	310,271	297,477	5.5%	57.4%	3.0%	13.0%	0.7%
American Family Mut Ins Co	265,839	265,572	4.8%	59.6%	2.5%	7.9%	1.1%
Illinois Farmers Ins Co	257,085	255,897	4.6%	56.1%	3.2%	11.7%	1.6%
Country Pref Ins Co	115,972	110,901	2.1%	50.6%	1.2%	11.0%	0.6%
State Farm Fire And Cas Co	114,372	118,043	2.0%	65.4%	4.4%	9.4%	-0.4%
Geico General Ins Co	78,683	77,870	1.4%	56.4%	1.9%	0.0%	1.2%
Progressive Halcyon Ins Co	66,238	63,165	1.2%	47.3%	1.4%	0.0%	2.2%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 9**  
**Top 10 Private Passenger Auto Insurers in Illinois – 2004**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mut Auto Ins Co	\$1,612,335	\$1,633,866	28.1%	60.2%	3.0%	7.3%	0.9%
Allstate Ins Co	403,269	406,759	7.0%	49.2%	2.3%	12.0%	2.2%
Country Mut Ins Co	338,201	337,535	5.9%	56.9%	1.6%	9.7%	1.4%
American Family Mut Ins Co	263,693	261,289	4.6%	62.9%	4.3%	7.9%	1.2%
Allstate Prop & Cas Ins Co	254,772	240,171	4.4%	63.5%	2.9%	12.7%	0.7%
Illinois Farmers Ins Co	246,289	244,887	4.3%	59.4%	4.8%	11.0%	0.2%
State Farm Fire And Cas Co	133,925	139,846	2.3%	65.4%	3.0%	9.6%	1.1%
Progressive Universal Ins Co	107,131	101,018	1.9%	52.9%	1.2%	10.0%	2.1%
Country Pref Ins Co	94,973	89,526	1.7%	54.3%	1.6%	11.2%	0.5%
Affirmative Ins Co	74,231	80,222	1.3%	52.6%	0.0%	38.5%	0.5%

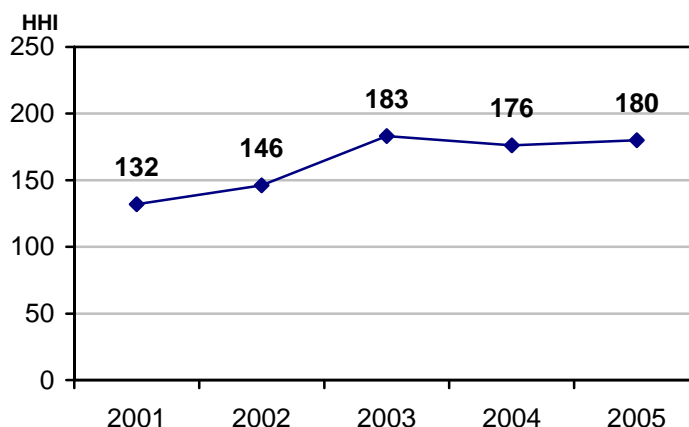
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

## Commercial Automobile Liability HHI

**Figure 10** provides a graph of the HHI for Illinois commercial automobile liability from 2001 to 2005. The HHI suggests that the market concentration in Illinois for commercial automobile liability insurance is very low (very competitive).

**Figure 10**

### Illinois Market Concentration - Commercial Automobile Liability (2001-2005)



**Figures 11 and 12** show the top ten Illinois commercial automobile liability writers for 2005 and 2004.

**Figure 11**

### Top 10 Commercial Auto Insurers in Illinois - 2005

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Transguard Ins Co Of Amer Inc	\$49,636	\$50,599	5.5%	81.0%	5.3%	13.3%	1.1%
Illinois Natl Ins Co	32,535	29,683	3.6%	40.9%	7.0%	10.6%	2.0%
Great West Cas Co	32,485	30,490	3.6%	41.5%	4.0%	11.9%	1.9%
Lincoln General Ins Co	29,937	29,272	3.3%	65.4%	6.9%	19.9%	3.5%
Zurich American Ins Co	29,119	29,102	3.2%	48.1%	6.0%	10.5%	3.1%
American Country Ins Co	28,788	29,994	3.2%	73.0%	10.0%	2.9%	1.5%
State Farm Mut Auto Ins Co	27,472	27,179	3.0%	36.1%	3.1%	8.7%	0.0%
American Service Ins Co Inc	26,212	25,671	2.9%	62.5%	6.5%	11.0%	1.1%
Cincinnati Ins Co	25,371	25,825	2.8%	56.7%	7.3%	19.3%	3.0%
Northland Ins Co	24,051	24,042	2.7%	94.5%	4.3%	19.0%	3.5%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 12**  
**Top 10 Commercial Auto Insurers in Illinois - 2004**

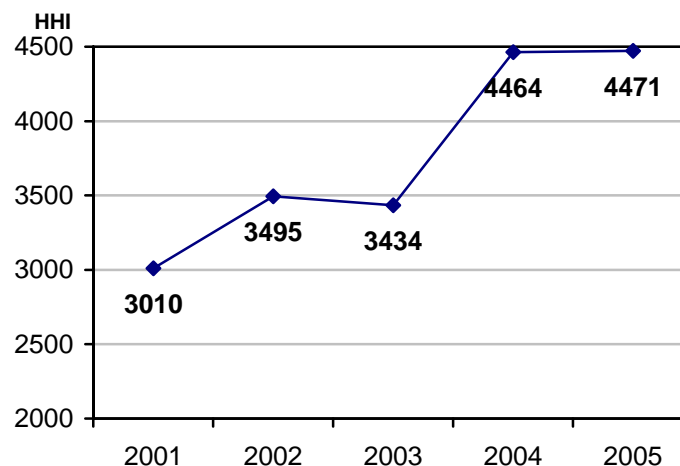
Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Transguard Ins Co Of Amer Inc	\$52,016	\$47,883	5.8%	41.1%	-0.1%	23.9%	1.3%
American Country Ins Co	34,140	33,110	3.8%	66.3%	14.5%	3.5%	1.9%
Zurich American Ins Co	27,903	28,999	3.1%	25.3%	5.1%	11.2%	3.1%
Great West Cas Co	27,573	26,928	3.1%	52.3%	10.7%	12.1%	1.8%
State Farm Mut Auto Ins Co	26,713	26,489	3.0%	46.4%	2.6%	9.0%	1.4%
Cincinnati Ins Co	25,654	26,101	2.9%	42.5%	6.9%	20.2%	1.7%
Illinois Natl Ins Co	24,849	23,692	2.8%	12.1%	2.1%	6.3%	3.4%
Lincoln General Ins Co	24,627	25,112	2.7%	118.9%	4.6%	18.7%	3.3%
Northland Ins Co	23,691	25,526	2.6%	73.2%	8.0%	19.1%	2.8%
St Paul Fire & Marine Ins Co	22,834	25,178	2.5%	53.4%	6.1%	13.4%	1.8%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

### *Medical Malpractice HHI*

**Figure 13** provides a graph of the HHI for Illinois medical malpractice coverage from 2001 through 2005. As is the case for most other states, the largest writer in Illinois of medical malpractice coverage is a physician-affiliated exchange. In Illinois, that provider is the ISMIE Mutual Insurance Company, which wrote 65.8 percent of the medical malpractice coverage in 2005. The second largest medical malpractice insurer, by direct written premium, was American Physicians Assurance Corp., which wrote only 9.0 percent of the business. As the chart shows, the market is highly concentrated, with an HHI well above the 1800 level.

**Figure 13**  
**Illinois Market Concentration - Medical Malpractice (2001-2005)**



**Figures 14 and 15** show the top ten Illinois medical malpractice writers and their market

shares for 2005 and 2004.

**Figure 14**  
**Top 10 Medical Malpractice Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mut Ins Co	\$401,074	\$404,060	65.8%	56.7%	24.6%	4.4%	0.2%
American Physicians Assur Corp	54,536	52,423	9.0%	80.6%	26.4%	8.3%	1.2%
Pronational Ins Co	25,729	26,385	4.2%	9.8%	62.0%	5.8%	1.4%
Professional Liab Ins Co Of Amer	23,920	19,229	3.9%	22.1%	2.5%	8.5%	3.6%
Medical Protective Co	17,555	18,897	2.9%	73.7%	48.3%	6.6%	3.1%
Medical Alliance Ins Co	15,922	15,243	2.6%	43.6%	12.1%	3.0%	0.7%
Podiatry Ins Co Of Amer, Mut Co	6,522	6,054	1.1%	17.6%	17.9%	0.4%	2.4%
Chicago Ins Co	6,122	6,476	1.0%	33.6%	18.9%	20.4%	0.8%
Physicians Ins Co Of WI	6,084	6,171	1.0%	93.8%	78.5%	11.5%	0.8%
Cincinnati Ins Co	5,415	5,626	0.9%	28.1%	-77.2%	15.5%	2.1%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 15**  
**Top 10 Medical Malpractice Insurers in Illinois – 2004**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mut Ins Co	\$420,474	\$411,371	65.9%	64.7%	23.1%	4.4%	1.0%
American Physicians Assur Corp	55,439	54,560	8.7%	90.1%	25.0%	8.5%	1.8%
Medical Protective Co	27,096	30,701	4.2%	68.6%	27.9%	5.2%	1.2%
Pronational Ins Co	25,748	22,979	4.0%	27.6%	19.9%	12.3%	1.5%
Medical Alliance Ins Co	12,417	2,483	1.9%	200.4%	55.7%	2.4%	6.8%
Professional Liab Ins Co Of Amer	12,080	4,311	1.9%	3.5%	4.4%	2.8%	5.6%
Doctors Co An Interins Exchn	7,950	8,068	1.2%	82.2%	35.8%	7.4%	5.1%
NCMIC Ins Co	7,892	7,208	1.2%	58.4%	12.9%	8.1%	0.9%
Physicians Ins Co Of WI	7,464	8,803	1.2%	36.1%	44.2%	10.9%	-0.5%
Chicago Ins Co	6,333	6,667	1.0%	223.1%	24.4%	21.8%	0.7%

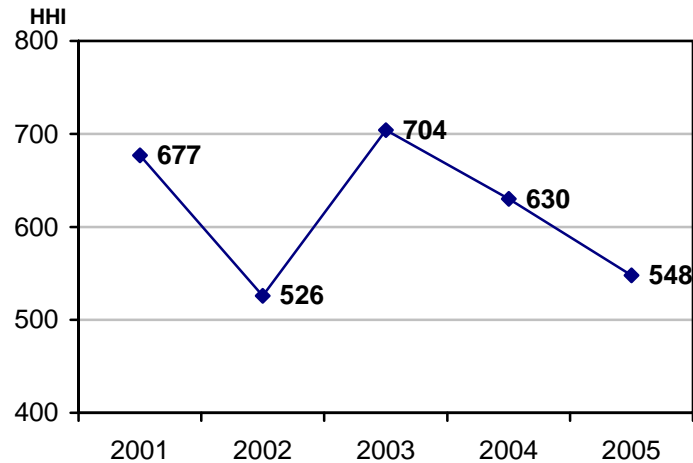
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

## Other Liability HHI

**Figure 16** provides a graph of the HHI for Illinois other liability insurance from 2001 through 2005. The figure indicates that the market for other liability insurance in Illinois continues to be very competitive.

**Figure 16**

**Illinois Market Concentration - Other Liability  
(2001 - 2005)**



**Figures 17 and 18** show the top ten Illinois other liability writers and their market shares for 2005 and 2004.

**Figure 17**

**Top 10 General Liability Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
Illinois Natl Ins Co	521,702	525,219	17.1%	127.0%	11.5%	1.4%	1.1%
Zurich American Ins Co	281,646	286,178	9.2%	89.7%	18.0%	4.7%	3.2%
Zurich American Ins Co Of IL	209,176	283,097	6.9%	126.2%	21.8%	0.0%	0.5%
New Hampshire Ins Co	186,066	126,558	6.1%	112.7%	6.9%	0.3%	2.4%
Federal Ins Co	149,490	144,685	4.9%	55.5%	14.7%	10.7%	2.4%
Nat. Union Fire Ins Co Of Pitts	112,414	120,503	3.7%	91.6%	-1.8%	4.8%	2.7%
Underwriters At Lloyds London	86,712	86,030	2.8%	56.8%	16.7%	12.6%	0.9%
Continental Cas Co	79,603	70,342	2.6%	111.6%	88.8%	15.5%	-1.6%
Ace American Ins Co	69,634	62,235	2.3%	24.9%	5.4%	5.2%	3.0%
St Paul Fire & Marine Ins Co	56,460	59,180	1.9%	86.1%	26.0%	12.5%	3.6%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.



**Figure 18**  
**Top 10 General Liability Insurers in Illinois – 2004**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
Illinois Natl Ins Co	\$643,924	\$593,705	20.0%	88.1%	9.5%	1.2%	3.5%
Zurich American Ins Co	248,900	327,464	7.7%	102.4%	18.6%	6.6%	2.6%
Zurich American Ins Co Of IL	245,669	314,795	7.6%	91.6%	17.8%	0.4%	0.4%
New Hampshire Ins Co	158,475	137,559	4.9%	162.7%	3.6%	0.1%	3.7%
Federal Ins Co	141,733	133,786	4.4%	88.9%	26.8%	10.5%	2.9%
Liberty Ins Co Of Amer	132,277	125,777	4.1%	100.6%	9.3%	0.0%	0.8%
National Union Fire Ins Co Of Pitts	126,059	129,196	3.9%	62.3%	16.7%	6.5%	3.1%
Continental Cas Co	63,381	57,059	2.0%	-307.9%	-96.7%	17.0%	7.9%
St Paul Fire & Marine Ins Co	55,349	59,357	1.7%	70.7%	39.4%	15.4%	1.8%
American Home Assur Co	55,178	45,550	1.7%	70.2%	6.1%	5.8%	3.9%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

### Market Shares of Residual Market Mechanisms

States establish residual market mechanisms to provide coverage for consumers who are unable to buy coverage in the voluntary market. If a marketplace does not function well, there will be an inordinate number of consumers in residual market programs. This is because insurers will tighten their underwriting standards, charge prices that are higher than what consumers can get in the residual market program, or stop writing business altogether in states where market problems persist.

Illinois residual market mechanisms provide essential insurance coverage for the hard-to-place risk, at rate levels approved by the Division. Illinois has residual market mechanisms for three lines of insurance: property, automobile, and workers' compensation.

#### *Property - The Illinois FAIR Plan Association (FAIR Plan)*

Fire and homeowners' insurance are placed directly through the FAIR Plan. Both dwelling and commercial insurance are available. Insurance companies share in the FAIR Plan's profits and losses in proportion to their voluntary market shares.

In Illinois, property insurance is widely available in the voluntary marketplace and only a very small percentage of consumers obtained coverage through the FAIR Plan. In addition, Illinois consumers are not at a coverage disadvantage when they buy insurance from the FAIR Plan, as is the case in many other states. In these other states, property residual market programs offer only dwelling fire or basic homeowners' policies. Illinois has one of the most progressive FAIR Plans in the nation. Through the FAIR Plan, Illinois consumers can buy virtually the same coverages that are available in

the voluntary marketplace, including guaranteed replacement cost, sewer back-up, earthquake, and building ordinance and law endorsements.

**Figure 19** shows the amount of dwelling and homeowners' written premium that the FAIR Plan made up as a percent of all dwelling and homeowners' premium written in Illinois from 2001 through 2005.

**Figure 19**

**Written Premiums for Illinois FAIR Plan  
(2001-2005)**

	Amount of Written Premiums	As % of Total Written Premiums
2001	\$4,962,000	0.20%
2002	\$7,104,000	0.20%
2003	\$9,800,000	0.49%
2004	\$11,030,119	0.52%
2005	\$9,073,367	0.41%

Source: Premium amounts provided by Illinois FAIR Plan

*Automobile - The Illinois Automobile Insurance Plan (Auto Plan)*

Private passenger automobile risks are assigned to private passenger automobile insurers on a rotational basis in proportion to their voluntary market shares. Assignments stay with the company and are not shared with other writers. Commercial automobile risks are placed through servicing companies. Losses are divided among the voluntary writers of commercial automobile insurance in proportion to their share of the voluntary business.

**Figure 20** shows the 2000 through 2004 market shares for the Illinois Automobile Insurance Plan compared to nationwide data. The percent of written car-years is derived by dividing the number of written car-years insured through the residual market by the total number of written car-years insured through the voluntary market. Note that Illinois has had a much smaller percentage of automobiles in the residual market than the nationwide composite.

The percent of insured automobiles in the Illinois Automobile Insurance Plan was five tenths of a percent of the total market in 2004. This figure reinforces the fact that automobile insurance in Illinois is extremely competitive in the voluntary market.

**Figure 20 Percent of Automobiles in Illinois Assigned Risk Plan and the United States Composite Automobile Residual Market (2000-2004)**

	2000	2001	2002	2003	2004
Illinois	0.03%	0.03%	0.05%	0.06%	0.05%
Nationwide	1.42%	0.43%	0.52%	0.54%	1.43%

Source: AIPSO Facts 2004 (based on liability car-years). 2005 data is not available at this time.

*Workers' Compensation - The Illinois Workers' Compensation Assigned Risk Pool*

(Pool)

Several insurers act as servicing carriers for the Illinois Workers' Compensation Assigned Risk Pool. Losses are divided among the voluntary writers of workers' compensation in proportion to their shares of the voluntary business.

**Figure 21** shows the percent of Illinois workers' compensation premiums written through the Pool from 2001 through 2005. The chart shows the amount of business being written in the residual market. During 2005, only 6.2 percent of Illinois direct premiums written for workers' compensation were written through the Pool.

The numbers illustrated in Figure 21 are from the NCCI and may not reconcile with numbers found in previous reports.

**Figure 21 Percent of Illinois Workers' Compensation Written Through the Pool (2001-2004)**

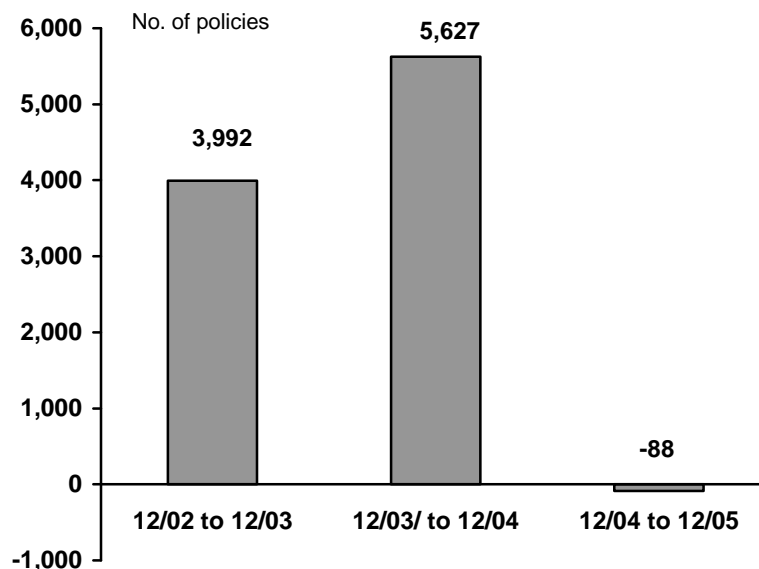
			2001			2002
2003	2004	2005				
	Percent of Total	5.9%	8.6%	10.0%	7.8%	6.2%

Source: National Council on Compensation Insurance (NCCI)

The data in the following charts, **Figures 22-25**, comes from the National Council on Compensation Insurance, Inc., and shows the growth of the residual market.

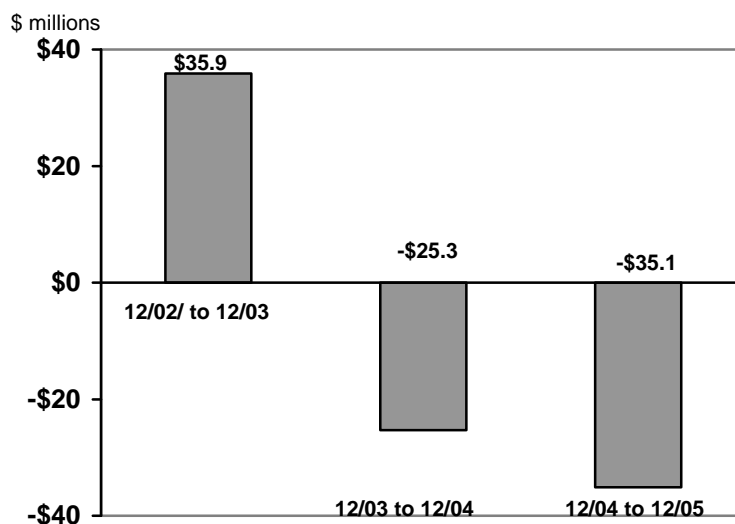
**Figure 22** shows the change in the number of policies in force in Illinois for the residual market from year-end 2002 through year end 2005. **Figure 23** shows the change in premium volume since the end of 2002.

**Figure 22 Change in Residual Market Workers Compensation Policies in Illinois**



Source: National Council on Compensation Insurance, Inc.

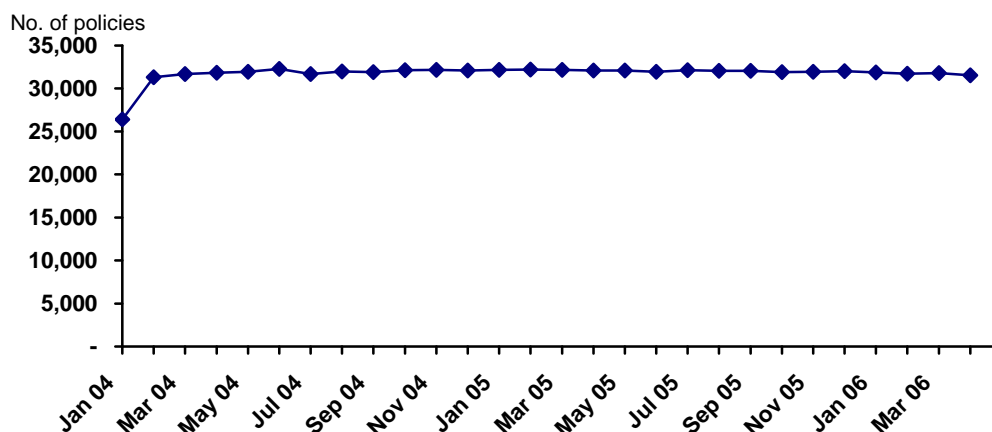
**Figure 23 Change in Residual Market Workers Compensation Premiums in Illinois**



Source: National Council on Compensation Insurance, Inc.

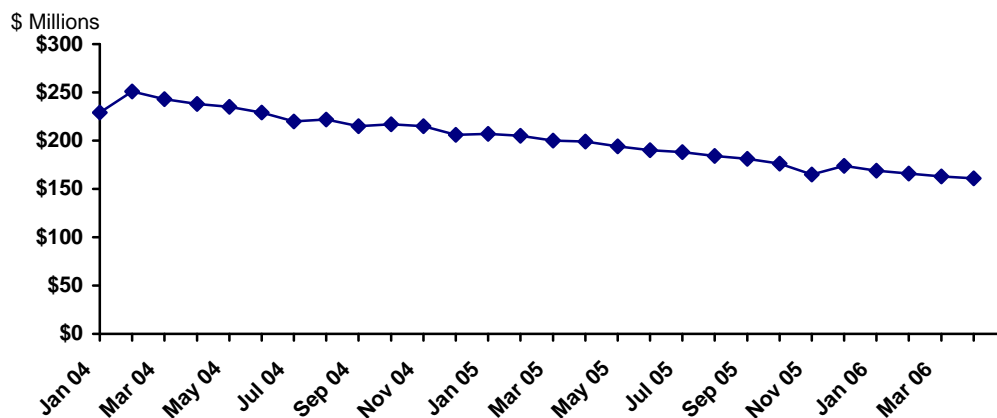
**Figure 24** shows the twelve-month totals in policy count in Illinois for the residual market for all classes of workers compensation coverage from January 2004 through April 2006. **Figure 25** shows the twelve-month rolling totals for premium in Illinois for the same period.

**Figure 24**  
**Illinois Plan – Workers Comp Policy Count**  
**12-month rolling totals (all classes)**



Source: National Council on Compensation Insurance Inc. The above figures represent the number of policies in the Illinois residual market. Included are assignments less than 120 days old that have not yet been reported as policies and a percentage of recently expired policies that are expected to be renewed.

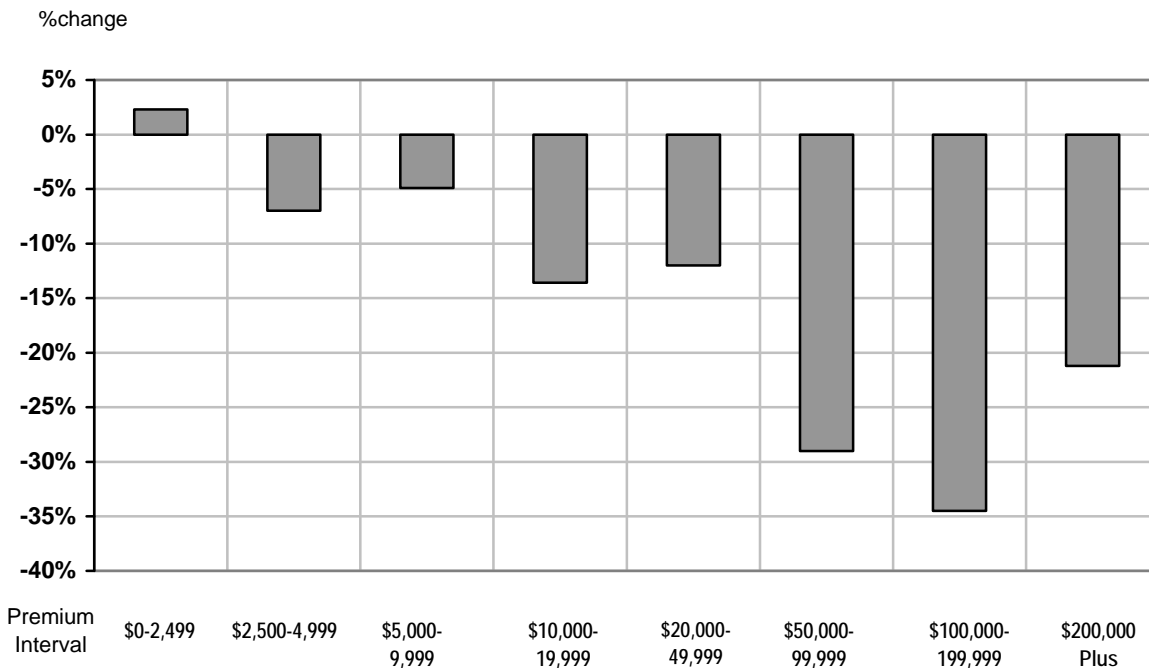
**Figure 25**  
**Illinois Plan – Workers Comp Premium**  
**12-month rolling totals (all classes)**



Source: National Council on Compensation Insurance, Inc. Data are based on policies reported to NCCI by Servicing Carriers. They include assignments less than 120 days old that have not yet been reported as policies and a percentage of recently expired policies that are expected to be renewed. These totals are net of cancellations and include any additional premium due to policy endorsements.

**Figure 26** shows the change in policy counts from year end December 2004 to year end December 2005 for different premium intervals. The chart indicates that policy counts in the residual market have all decreased from December 2004 to December 2005, with the exception of the \$0-\$2,499 premium interval.

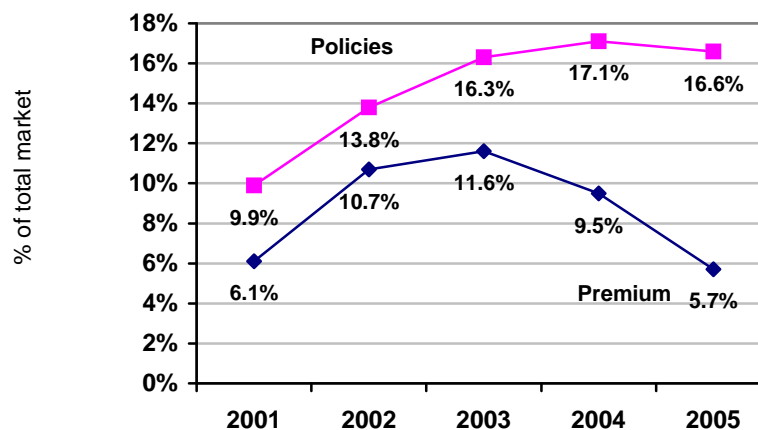
**Figure 26**  
**Residual Market Distribution by Size of Risk**  
**Change in Policy Count from December 31, 2004 to December 31, 2005**



Source: National Council on Compensation Insurance, Inc.

**Figure 27** shows the percent change for each year for both the number of policies and premium dollars from 2001 to 2005. While the number of policies has leveled off since 2003 at just over 16% of the total workers comp market, premium volume has declined dramatically.

**Figure 27**  
**Change in Assigned Risk Market Share**  
*Percent of the Total Workers Comp Market in Illinois*



Source: National Council on Compensation Insurance, Inc.

Note: Because of certain changes in computing some numbers, the percentages shown above may not reconcile with previous reports.

**Figure 28** shows the total premium in Illinois for the top ten class codes in the residual market for calendar year 2005 based on written premium.

**Figure 28**

**Illinois Residual Market Top Ten Classification Codes by Premium Volume  
Calendar Year 2005**

Rank	Code	Description	Total State Premium	% of Premium
1	5645	Carpentry-Detached One or Two Family Dwellings	\$7,403,214	4.77%
2	8861	Charitable or Welfare-Professional Employees and Clerical	\$6,930,626	4.47%
3	5551	Roofing-All Kinds	\$6,581,471	4.24%
4	7228	Trucking-Local Hauling Only	\$4,391,345	2.83%
5	7229	Trucking-Long Distance Hauling	\$3,994,195	2.57%
6	5606	Contractor-Executive Supervisor or Construction Superintendent 1	\$3,769,923	2.43%
7	9015	Buildings-Operations by Owner	\$2,864,731	1.85%
8	9014	Buildings-Operations by Contractor	\$2,774,186	1.79%
9	8835	Nursing Home Health-Public and Traveling-All Employees	\$2,745,405	1.77%
10	7370	Taxicab Co.: All Other Employees	\$2,562,044	1.65%

Source: National Council on Compensation Insurance (NCCI)

### Participation in Alternative Risk Transfer Mechanisms

Traditionally, the level of participation in alternative markets is an indicator of how well the admitted market is doing at providing coverage, or providing coverage at prices consumers perceive to be reasonable. Therefore, if we are to assess the insurance marketplace in terms of availability, we must look at the level of activity in these alternative markets.

One problem with the non-admitted market is that there are few means by which it can be monitored. Because of the Division's limited authority over many of the alternative mechanisms, the number of risks placed and the amount of premium written cannot be assessed and a complete picture of this aspect of the insurance marketplace is unattainable. This problem has become more prevalent as the size of the transfer of risk alternative markets continues to grow.

*Surplus lines* refers to insurance written by a non-admitted (unlicensed) insurer through a licensed surplus lines producer. The licensed producer must exercise due diligence in protecting the insured since the Division has no jurisdiction over unlicensed companies and the Illinois Insurance Guaranty Fund provides no protection for the consumer. Thus, it is the producer and not the Division who must determine the company's financial stability and standards of management prior to submitting the risk.

**Figure 29** shows the number of policies written in Illinois from 2001 to 2005 through surplus lines producers for homeowners', private passenger auto liability and physical damage, commercial auto liability, medical malpractice and general liability coverage.

Of the 892 policies for medical malpractice, 356 are specifically for doctors and dentists. (The term “general liability” used in this section equates closely to the term “other liability” used in other areas of this report). The data to date in 2006 indicates that this year’s growth has leveled and is starting to decline.

**Figure 29**

**Surplus Lines - Number of primary and excess policies written in Illinois (2001 - 2005)**

<b>Line of Business</b>	<b>2001 Illinois Policy Count</b>	<b>2002 Illinois Policy Count</b>	<b>2003 Illinois Policy Count</b>	<b>2004 Illinois Policy Count</b>	<b>2005 Illinois Policy Count</b>
Homeowners’	1,126	1,181	1,340	860	535
PPA Liability	430	426	410	293	189
PPA Physical Damage	7,993	9,063	7,210	9,074	7,426
Commercial Auto Liability	45	40	22	55	77
Medical Malpractice	532	548	701	752	892
General Liability	13,825	16,812	20,857	25,310	26,137

Source: Surplus Lines Association of Illinois

*INEX (previously the Illinois Insurance Exchange)* provides a market for direct insurance and reinsurance. It is comprised of syndicates which underwrite and insure risks, and brokers who are authorized to place business with those syndicates. Fashioned after Lloyd’s of London, INEX serves as a facilitator, record keeper and regulator for the operations of its members. INEX submits an annual financial statement to the Division reflecting both its combined financial position and the financial position of each individual syndicate.

*Insurance Pools* are groups that join together for the purpose of sharing certain risks on an agreed-upon basis. Participants may consolidate their risk exposures without being subject to the same regulatory requirements as admitted insurers. Pools organized under the following Acts are allowed in Illinois:

*The Workers’ Compensation Act* allows entities that are members of a trade association, or that have similar risk characteristics, to form a risk-sharing pool. Each pool must submit annual financial statements, CPA audit reports, and actuarial opinions to the Division and are subject to examination by the Director.

*The Religious and Charitable Risk Pooling Trust Act* permits entities having an IRS 501c(3) exemption (a non-profit entity), or hospitals owned and operated by a unit of local government, to form a trust to pool their risks. These trust funds can only operate with prior approval of the Director of Insurance. The trusts must make annual CPA audit reports to the Division and are subject to examination by the Director.



*The Intergovernmental Cooperation Act* enables units of local government to enter into a pooling arrangement with other similar entities for the purpose of risk sharing. These pooling arrangements are not regulated by the Division, however, they must register with the Division and file annual audited financial statements.

*Risk Retention and Purchasing Groups* are allowed under the Federal Liability Risk Retention Act of 1986. This Act eliminated barriers to group self-insurance programs by allowing them to buy group liability insurance. At the end of year 2005, there were 415 purchasing groups and 91 foreign registered risk retention groups.

*Captive Insurance Companies* may be formed by a company to insure its own risks and exposures, by an association to insure its member organizations, or by industrial insured groups. Illinois captives are regulated by the Division, are required to file certain financial information with the Division, and are subject to examination by the Director.

*Self-insurance* occurs when individuals or businesses retain their own risks. Entities that self-insure are under no obligation to report premiums, losses, or expenses to any statistical association or regulatory body.

## **Profitability**

In monitoring competition in general, and price performance in particular, the Division does not examine individual insurer prices for appropriateness. To do so is virtually impossible. Instead, it monitors the effectiveness of competition, examining the pattern of profits throughout the market.

In examining profitability, the Director must balance the seemingly divergent concerns of consumers and insurers. To protect consumers, rates must not be excessive. There is a fine line between rates that are excessive and rates that are inadequate, especially since insurance policies must be priced long before the results of the pricing decisions are known.

The Division must also be concerned about the long-term viability of the insurance marketplace, including the financial viability of the companies that insure consumers.

### Illinois-specific Underwriting Results Compared to Countrywide Results

For each of the coverages listed below, this section contains:

- 1 combined underwriting results for business written in Illinois and business written countrywide;
- 1 a five-year trend for Illinois losses as a percent of premiums earned, compared to the five-year trend for countrywide losses.

## *Personal Lines Insurance*

**Figure 30** shows the percentage change in the Consumer Price Index during the previous twelve months ending May 2006 for auto and homeowners insurance and related items. The personal lines of insurance are homeowners and private passenger auto. The CPI for homeowners insurance fell by 1.4 percent from the end of last May 2005. Automobile insurance was up only 0.5 percent for the same period.

**Figure 30**

### **Percent Changes in Consumer Price Index for Automobile and Household Insurance, and Related Items**

	<b>Un-Adjusted 12-mos. Ended May '06</b>
<b>All items</b>	4.2%
<b>Household Insurance and Related Items</b>	
Tenants' and Household Insurance	-1.4%
<b>Auto Insurance and Related Items</b>	
Motor Vehicle Insurance	0.5%
Motor Vehicle Body Work	4.5%
Total Medical Care	4.2%
Physicians Services	1.4%
Hospital Services	6.6%

Source: U.S. Division of Labor CPI

In **Figures 31** through **42** the “countrywide” figures are the aggregate amounts for Illinois-licensed insurers’ nationwide underwriting results. This data comes from the Insurance Expense Exhibit Part III.

**Figure 31** shows a comparison of the underwriting results of homeowners insurance written in Illinois with that written nationwide during 2005. As figure 31 shows, incurred losses in Illinois for the year were much lower than the nationwide loss ratio, while defense and cost containment expenses incurred were also less than the nationwide figure.

**Figure 31**

**Homeowners' Underwriting Results (2005)**

Homeowners (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$2,220,523	\$42,524,047
Direct earned premiums	2,198,598	41,102,624
Expenses (% earned premium)		
Incurred losses	45.6%	68.8%
Def. & cost cont. exp. incurred	1.0%	1.5%
Comm./brokerage	13.8%	13.5%
Taxes, licenses & fees	1.7%	2.6%

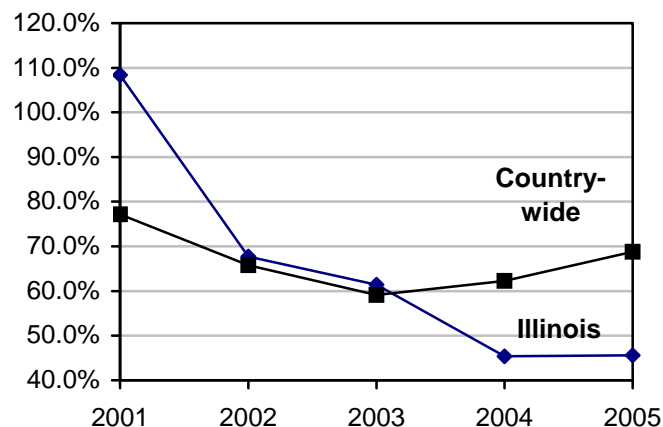
\*Source: NAIC State Data Network, 2005 Illinois State Page Exhibit.

\*\*Source: NAIC State Data Network 2005 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 32** compares the five-year trend for loss percentages in Illinois and countrywide in the homeowners line of business. As the chart shows, homeowners losses in Illinois, as a percent of earned premium, dropped below nationwide losses after 2003.

**Figure 32**

**Homeowners Losses as a % of Premiums Earned (2001-2005)**



## Private Passenger Automobile

**Figure 33** compares the underwriting results of private passenger automobile insurance written in Illinois with that written countrywide during 2005. Losses incurred in the private passenger automobile line of business were slightly better than nationwide losses.

**Figure 33**

Private Passenger Auto Underwriting Results (2005)		
Private Passenger Auto (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$5,591,285	\$121,188,781
Direct earned premiums	5,642,207	121,182,347
Expenses (% earned premium)		
Incurred losses	56.9%	60.2%
Def. & cost cont. exp. incurred	2.6%	2.3%
Comm./brokerage	11.1%	8.8%
Taxes, licenses & fees	0.9%	2.3%

\*Source: NAIC State Data Network, 2005 Illinois State Page Exhibit.

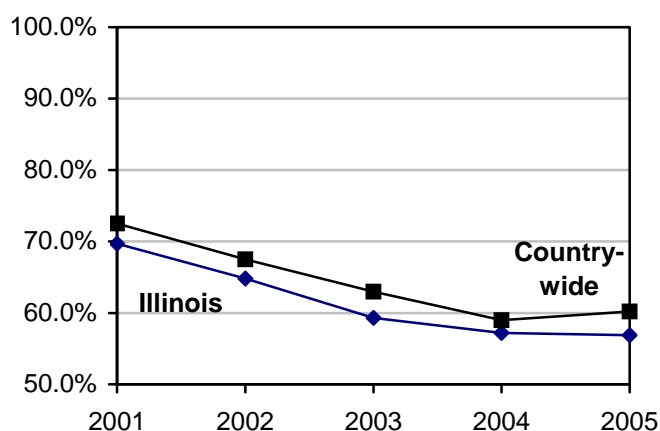
\*\*Source: NAIC State Data Network 2005 Insurance Expense Exhibit Part III  
Illinois-licensed insurers.

**Figure 34** shows the five-year trend for loss percentages in the private passenger automobile line for Illinois and countrywide. As the chart shows, the Illinois private passenger automobile loss percentages have trended close to countrywide loss percentages over the past five years.

**Figure 34**

Earned

## Private Passenger Auto Losses as a % of Premiums (2001-2005)



## Commercial Automobile Liability

**Figure 35** shows the underwriting results in the commercial automobile liability line during 2005 were similar to those countrywide.

**Figure 35**

<b>Commercial Automobile Liability Underwriting Results (2005)</b>		
<b>Commercial Auto Liability</b> (\$000 omitted)	<b>Illinois*</b>	<b>Countrywide**</b>
Direct written premiums	\$901,708	\$17,963,166
Direct earned premiums	906,302	17,902,192
Expenses (% <i>earned premium</i> )		
Incurred losses	58.7%	53.7%
Def. & cost cont. exp. incurred	7.8%	5.8%
Comm./brokerage	13.2%	13.6%
Taxes, licenses & fees	1.8%	2.7%

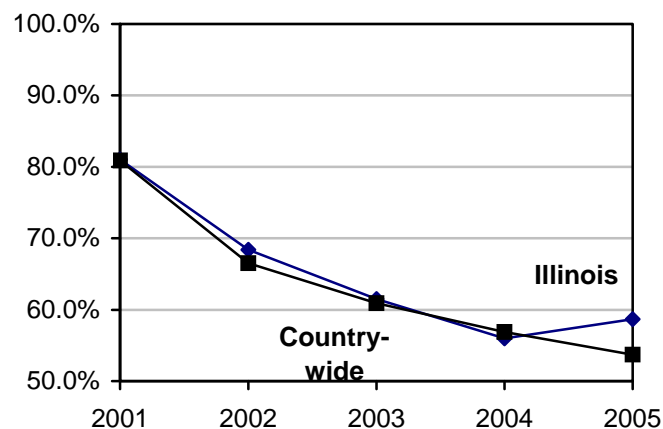
\*Source: NAIC State Data Network, 2005 Illinois State Page Exhibit.

\*\*Source: NAIC State Data Network 2005 Insurance Expense Exhibit Part III  
Illinois-licensed insurers.

**Figure 36** compares the five-year trend for loss percentage for Illinois and countrywide commercial automobile liability. The trend over the past five years in loss percentages in Illinois has been very similar to losses countrywide.

**Figure 36**

### Commercial Auto Liability Losses as a % of Premiums Earned (2001-2005)



## Medical Malpractice

**Figure 37** shows the underwriting results for the medical malpractice market in Illinois and countrywide for 2005. Although medical malpractice losses in Illinois remained greater than losses countrywide, the loss ratio continues to improve.

**Figure 37**

**Medical Malpractice Underwriting Results (2005)**

Medical Malpractice (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$608,956	\$5,459,235
Direct earned premiums	602,990	5,410,106
Expenses (% <i>earned premium</i> )		
Incurred losses	84.8%	50.7%
Def. & cost cont. exp. incurred	24.6%	25.0%
Comm./brokerage	5.9%	6.6%
Taxes, licenses & fees	0.8%	1.6%

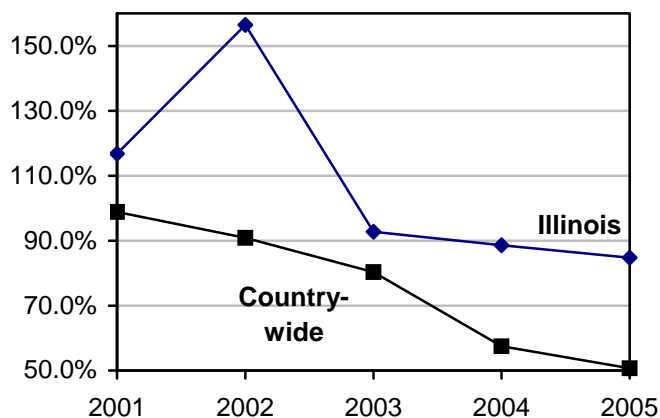
\*Source: NAIC State Data Network, 2005 Illinois State Page Exhibit

\*\*Source: NAIC State Data Network 2005 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 38** compares the five-year loss percentages trend for Illinois and countrywide medical malpractice insurance. After soaring to over 150% of earned premium in 2002, losses in Illinois dropped to below 90 percent, but still trail nationwide losses by approximately 34.1 percent.

**Figure 38**

**Medical Malpractice Losses as a % of Premiums Earned (2001-2005)**



## Other Liability

**Figure 39** compares the underwriting results between Illinois and countrywide for the other liability line of business.

**Figure 39**

### General Liability Underwriting Results (2005)

Other Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$3,050,268	\$38,752,385
Direct earned premiums	3,080,844	37,911,643
Expenses (% earned premium)		
Incurring losses	86.0%	69.4%
Def. & cost cont. exp. incurred	17.4%	16.8%
Comm./brokerage	7.8%	12.0%
Taxes, licenses & fees	1.8%	2.3%

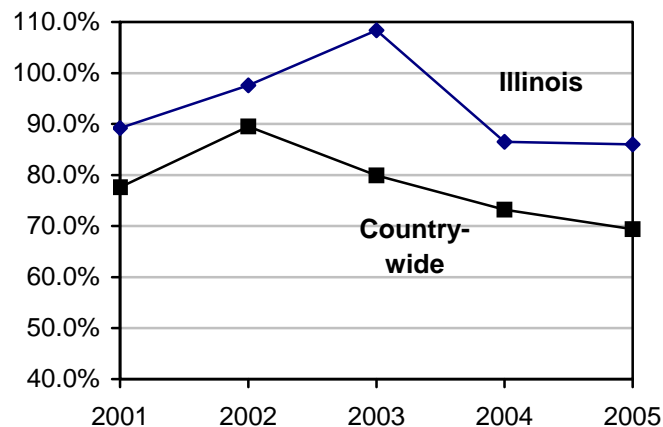
\*Source: NAIC State Data Network, 2005 Illinois State Page Exhibit

\*\*Source: NAIC State Data Network 2005 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 40** compares the five-year trend for loss percentages for Illinois and countrywide for other liability insurance. Losses as a percent of earned premium in Illinois in the other liability line of business remained higher than losses nationwide in 2005.

**Figure 40**

### Other Liability Losses as a % of Premiums Earned (2001-2005)



## Workers Compensation

In order to slow the growth in workers' compensation claims costs during the last part of the 1980's, many states passed new laws that made it easier to manage medical costs and oversee the treatment plan and the return-to-work process. Larger deductibles, which made employers more concerned about safety, along with better fraud prevention also helped hold claim costs down.

However, from 1997 to 2000, workers' compensation losses rose dramatically before retreating in 2001. Liberty Mutual conducted a study that found that rising claim costs had been driven by a widening definition of workplace injuries, more expensive medical treatments and a growing number of visits to medical practitioners. But while claim costs had risen, the number or frequency of claims has been declining, 38% since 1990.

**Figure 41** shows a comparison of the underwriting results in 2005 in the workers compensation line of business between Illinois and the nation.

**Figure 41**

### Workers Compensation Underwriting Results (2005)

<b>Workers Compensation</b> (\$000 omitted)	<b>Illinois*</b>	<b>Countrywide**</b>
Direct written premiums	\$2,498,214	\$36,282,553
Direct earned premiums	2,469,734	35,291,722
Expenses (% <i>earned premium</i> )		
Incurring losses	74.2%	64.7%
Def. & cost cont. exp. incurred	6.5%	6.8%
Comm./brokerage	8.6%	7.0%
Taxes, licenses & fees	2.9%	5.5%

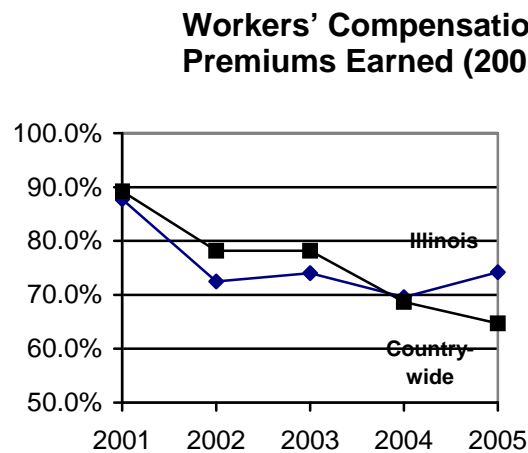
\*Source: NAIC State Data Network, 2005 Illinois State Page Exhibit

\*\*Source: NAIC State Data Network 2005 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 42** shows workers' compensation losses as a percent of earned premium for the years 2001 through 2005. Workers' compensations losses as a percent of earned premium in Illinois rose above nationwide losses in 2004 and 2005.



**Figure 42**



## **Reliability**

In determining whether the overall marketplace is viable, the Division must consider:

- 1 Profitability.
- 1 Financial Solvency Regulation.

Businesses that provide a financial service must be financially sound. An insurance contract has little value to the insured if there is no guarantee that the insurance company will have the money to pay claims when needed.

As discussed earlier, the Division must balance the seemingly divergent concerns of consumers and insurers. While we must ensure that consumers are able to buy insurance at a reasonable price, we must also ensure the overall viability of the marketplace.

One measure of a company's financial performance is its profitability. It must generate enough profit to survive and succeed. In a given month, if expenses exceed income, they must be paid from the reserve fund. If the trend continues, reserve funds run out causing the business to collapse. Therefore, it is imperative that insurance companies manage income and expenses to assure profitability and survival.

A company that can offer insurance coverage at competitive prices and reap adequate profits as an ongoing concern is considered to be financially viable. When the majority of insurers in the market are competitive and profitable, the market is considered to be financially strong.

## Profitability

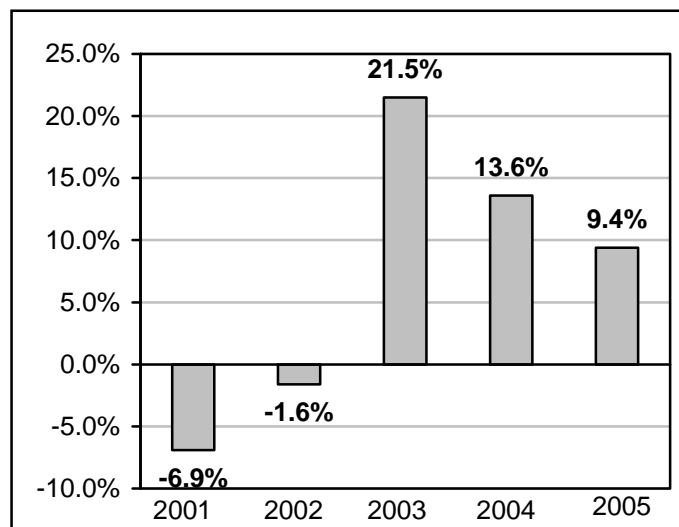
### *Change in Policyholders Surplus*

One measure of overall profitability is the change in policyholders' surplus from one year to the next. Policyholders' surplus is made up of: 1) underwriting gains or losses; 2) investment gains or losses; and 3) net contributed capital and other surplus changes.

**Figure 43** shows the percent change in policyholders' surplus for the Illinois-licensed property/casualty industry as a whole over the past five years. After consecutive years of negative growth since 2000, the industry's surplus increased the last three years.

**Figure 43**

#### **Percent Change in Policyholders' Surplus**



**(2001-2005)**

Source: NAIC State Data Network

**Figure 44** shows income from investments, net income, unrealized capital gains/losses and policyholders' surplus from 2001 to 2005. The property/casualty industry has experienced significant increases in net income and unrealized capital gains since 2002.

**Figure 44**

#### **Net Investment Income Earned, Net Income, Unrealized Capital Gains/Losses and Policyholders' Surplus 2001-2005 (in millions)**

	2001	2002	2003	2004	2005
Net Investment gain	\$51,573	\$39,995	\$40,893	\$44,952	\$53,915
Net Income	(3,971)	11,485	27,199	36,488	39,675
Unrealized Capital Gains/Losses	(19,755)	(26,485)	30,624	17,189	4,096
Policyholders' Surplus	299,868	295,137	365,589	408,140	441,620

Source: NAIC State Data Network

### *Underwriting Gains/Losses*

**Figure 45** shows the aggregate underwriting gain/loss for Illinois-licensed insurers from 2001-2005. After experiencing an underwriting gain in 2004, the industry realized a loss in 2005. Losses and loss expenses were 75 percent of premiums earned.

**Figure 45**

**Aggregate Net Underwriting Gain/(Loss) (in millions)**  
**(2001-2005)**

	2001	2002	2003	2004	2005
Premiums earned	\$260,142	\$290,397	\$325,159	\$344,724	\$344,913
Losses incurred	197,360	198,964	200,092	206,102	213,774
Loss expenses incurred	33,844	36,981	41,892	44,217	45,351
Other underwriting expenses incurred	72,730	79,362	85,604	88,666	90,570
Dividends to policyholders	<u>1,203</u>	<u>1,121</u>	<u>1,197</u>	<u>978</u>	<u>1,040</u>
Net underwriting gain/loss	<u><b>(\$44,995)</b></u>	<u><b>(\$26,031)</b></u>	<u><b>(\$3,626)</b></u>	<u><b>4,761</b></u>	<u><b>(5,822)</b></u>

Source: NAIC State Data Network

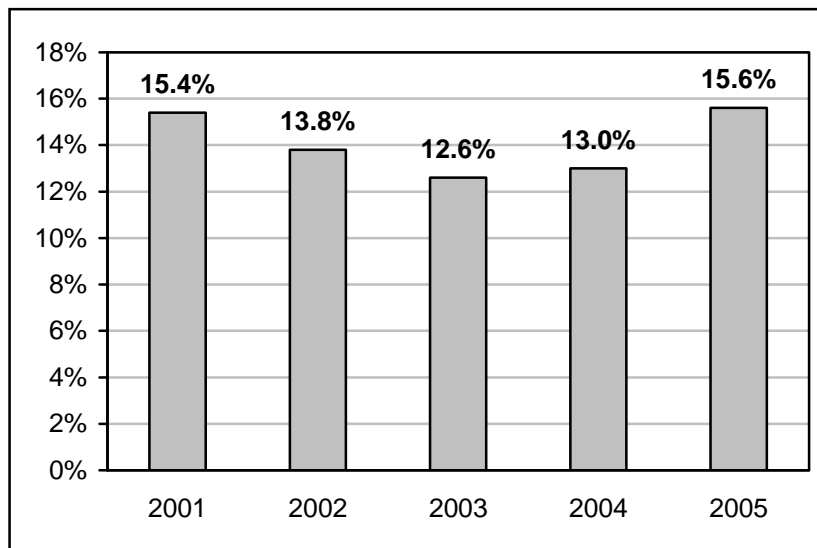
### *Net Investment Income Ratio*

One component of surplus is income derived from investments. The net investment income ratio measures income from invested assets relative to earned premiums. It is calculated by dividing net investment income (income from invested assets less investment expenses and depreciation on real estate) by earned premium.

**Figure 46** shows the net investment income ratio for Illinois-licensed property/casualty insurers during the most recent five-year period. This ratio shows the investment income component of overall profitability.

**Figure 46**

**Net Investment Income Ratio (2001-2005)**



Source: NAIC State Data Network

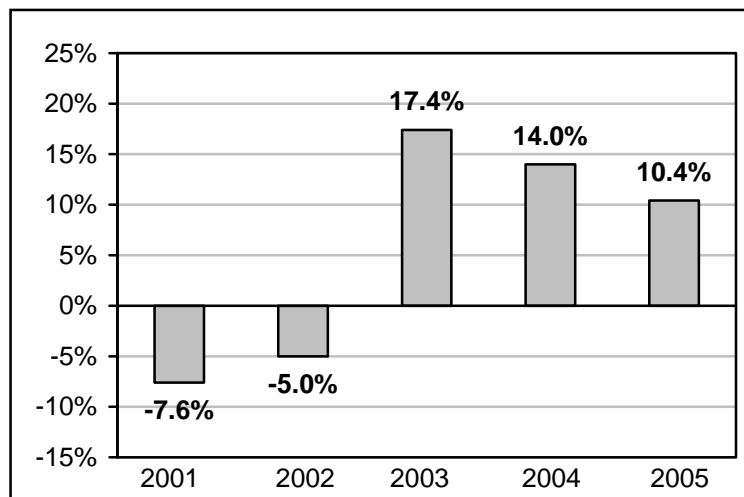
*Return on Policyholders' Surplus*

Another measure of overall profitability is the return on policyholders' surplus. It is the sum of net income after dividends and taxes and unrealized capital gains divided by the average of the current year and prior year's policyholders' surplus.

**Figure 47** shows the aggregate return on policyholders' surplus from 2001 through 2005 for the Illinois-licensed property/casualty industry combined. After producing a 17.4 percent return on policyholder surplus in 2003, return on policyholders' surplus has declined steadily to 10.4 percent in 2005.

**Figure 47**

**Return on Policyholders' Surplus  
(2001-2005)**



Source: NAIC State Data Network

**Financial Solvency Regulation**

Although the Division cannot guarantee that Illinois-licensed insurers are profitable, we monitor the financial solvency and strength of Illinois-licensed insurers in several ways including:

- 1 maintaining a staff of trained accountants and specialists who identify companies developing financial difficulties so that the Division can step in to minimize potential losses to Illinois policyholders;
- 2 working closely with insurance companies with identified financial difficulties to minimize potential risk to policyholders while attempting to resolve manageable problems or determine the need for rehabilitation or liquidation;
- 3 employing field examiners for on-site evaluation of insurance company financial records;
- 4 reviewing operations and compliance issues through scheduled, targeted, and special exams of known or suspected problems;
- 5 maintaining a staff of actuaries who monitor the adequacy of loss reserves, cash flow testing, and proper valuation of assets;
- 6 licensing and registering the many types of insurers, surplus lines producers, and risk sharing pools authorized by the Illinois Insurance Code and related Acts;

investigating unauthorized organizations or individuals thought to be conducting illegal insurance operations and taking regulatory action to remove them from the market to protect consumers from fraudulent activities.

**BIBLIOGRAPHY**

A.M. Best Data.

AIPSO Facts 2004/2005

Annual Reports to the Illinois General Assembly on Insurance Cost Containment.

Best's Aggregates and Averages 2001 through 2005.

Best Week

Illinois Cost Containment Data.

Illinois Surplus Lines Association Data.

Insurance Information Institute

National Association of Insurance Commissioners (State Data Network).

National Council on Compensation Insurance (NCCI) Data.

U.S. Division of Labor Consumer Price Index

**APPENDIX A – Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2005**

**ASSETS**

	1	Current year		Prior year
		2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1	Bonds	625,879,329,745	67,494,455	625,811,835,290
2.1	Preferred stocks (stocks)	9,713,377,571	183,962	9,713,193,609
2.2	Common stocks (stocks)	268,354,371,492	693,151,105	267,661,220,387
3.1	First liens - mortgage loans on real estate	2,206,088,895	534,023	2,205,554,872
3.2	Other than first liens - mortgage loans on real estate	42,800,983	63,081	42,737,902
4.1	Properties occupied by the company (less \$(1) encumbrances) (real estate)	6,552,994,974	5,161,877	6,547,833,097
4.2	Properties held for the production of income (less \$(1) encumbrances) (real estate)	919,686,345	6,703,123	912,983,222
4.3	Properties held for sale (less \$(1) encumbrances) (real estate)	416,556,725	470,918	416,085,807
5	Cash \$(1), cash equivalents \$(2) and short-term investments \$(3)	73,401,097,873	44,290,406	73,356,807,467
6	Contract loans (including \$(1) premium notes)	2,909,109	2,909,109	0
7	Other invested assets	40,329,276,884	614,084,681	39,715,192,203
8	Receivables for securities	3,722,118,211	2,786,674	3,719,331,538
9	Aggregate write-ins for invested assets	6,022,456,565	3,687,841,365	2,334,615,199
10	Subtotals, cash and invested assets	1,037,563,065,370	5,125,674,780	1,032,437,390,588
11	Title plants less \$(1) charged off (for title insurers only)	0	0	0
12	Investment income due and accrued	8,367,038,307	7,282,743	8,359,755,563
	Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	36,440,613,435	2,071,214,680	34,369,398,759
13.1	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$(1) earned but unbilled premiums) (premiums and considerations)	56,805,712,069	229,448,086	56,576,263,990
13.2	Accrued retrospective premiums (premiums and considerations)	3,567,858,574	221,696,749	3,346,161,826
13.3	Amounts recoverable from reinsurers (reinsurance)	23,925,424,476	15,435,213	23,909,989,262
14.1	Funds held by or deposited with reinsured companies (reinsurance)	7,642,079,065	99,483,491	7,542,595,573
14.2	Other amounts receivable under reinsurance contracts (reinsurance)	1,209,580,751	0	1,209,580,751
14.3	Amounts receivable relating to uninsured plans	129,576,127	3,897,781	125,678,346
15	Current federal and foreign income tax recoverable and interest thereon	5,945,885,909	141,857,859	5,804,028,050
16.1	Net deferred tax asset	35,332,553,334	19,482,068,398	15,850,484,934
16.2	Guaranty funds receivable or on deposit	779,518,711	6,100,510	773,418,201
17	Electronic data processing equipment and software	3,154,091,638	1,830,519,374	1,323,572,264
18	Furniture and equipment, including health care delivery assets \$(1))	1,839,338,795	1,836,262,163	3,076,632
19	Net adjustment in assets and liabilities due to foreign exchange rates	(18,817,703)	0	(18,817,703)
20	Receivables from parent, subsidiaries and affiliates	13,225,380,771	379,548,806	12,845,831,964
21	Health care \$(1)) and other amounts receivable	35,567,115	17,921,847	17,645,268
22	Aggregate write-ins for other than invested assets	30,360,694,830	9,051,282,896	21,309,411,936
23	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,266,305,161,571	40,519,695,376	1,225,785,466,201
24	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
25	Totals	1,266,305,161,571	40,519,695,376	1,225,785,466,201

**APPENDIX B – Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2005**

LIABILITIES, SURPLUS AND OTHER FUNDS		1	2
		Current Year	Prior Year
1	Losses	355,572,715,334	328,441,179,033
2	Reinsurance payable on paid losses and loss adjustment expenses	11,772,443,030	9,583,304,680
3	Loss adjustment expenses	72,330,760,292	65,952,646,935
4	Commissions payable, contingent commissions and other similar charges	4,698,470,412	4,542,127,376
5	Other expenses (excluding taxes, licenses and fees)	17,659,632,194	17,894,013,576
6	Taxes, licenses and fees (excluding federal and foreign income taxes)	4,592,218,312	4,614,610,650
7.1	Current federal and foreign income taxes (including \$(1) on realized capital gains (losses))	2,998,392,376	3,838,577,557
7.2	Net deferred tax liability	12,566,672,072	11,921,219,622
8	Borrowed money \$(1) and interest thereon \$(2)	1,860,662,025	2,151,666,315
9	Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$(1) and including warranty reserves of \$(2))	161,525,184,014	155,170,492,429
10	Advance premium	4,734,872,016	4,613,019,697
11.1	Stockholders (dividends declared and unpaid)	347,392,761	342,496,470
11.2	Policyholders (dividends declared and unpaid)	370,735,935	355,985,871
12	Ceded reinsurance premiums payable (net of ceding commissions)	23,791,546,128	18,986,125,661
13	Funds held by company under reinsurance treaties	30,674,707,873	29,146,694,583
14	Amounts withheld or retained by company for account of others	7,174,981,952	6,455,366,083
15	Remittances and items not allocated	1,101,250,036	1,788,617,570
16	Provision for reinsurance	5,251,179,379	5,520,168,639
17	Net adjustments in assets and liabilities due to foreign exchange rates	511,596,544	581,435,299
18	Drafts outstanding	4,674,809,824	3,539,102,464
19	Payable to parent, subsidiaries and affiliates	10,332,401,842	8,479,654,842
20	Payable for securities	3,438,637,448	2,793,276,175
21	Liability for amounts held under uninsured accident and health plans	2,128,504	1,212,708
22	Capital notes \$(1) and interest thereon \$(2)	0	0
23	Aggregate write-ins for liabilities	46,182,235,801	43,089,803,235
24	Total liabilities excluding protected cell liabilities	784,165,626,072	729,802,797,420
25	Protected cell liabilities	0	0
26	Total liabilities	784,165,626,072	729,802,797,420
27	Aggregate write-ins for special surplus funds	40,085,703,576	37,407,882,485
28	Common capital stock	4,774,983,627	4,738,278,475
29	Preferred capital stock	426,306,461	1,616,464,307
30	Aggregate write-ins for other than special surplus funds	84,004,716	127,892,792
31	Surplus notes	11,123,403,972	10,790,350,205
32	Gross paid in and contributed surplus	161,591,893,055	147,091,477,075
33	Unassigned funds (surplus)	225,443,694,864	203,982,130,449
34.1	(1) Shares common (value included in common capital stock \$(2)) (less treasury stock at cost)	1,902,713,869	1,924,823,025
34.2	(2) Shares preferred (value included in preferred capital stock \$(2)) (less treasury stock at cost)	7,436,292	6,181,421
35	Surplus as regards policyholders	441,619,840,117	403,823,471,352
36	Totals	1,225,785,466,199	1,133,626,268,768



**APPENDIX C – Consolidated Statement of Income for Illinois-licensed  
Property/Casualty Insurers for the year ending December 31, 2005**

**STATEMENT OF INCOME**

<b>UNDERWRITING INCOME</b>		<b>1</b>	<b>2</b>
		<b>Current Year</b>	<b>Prior Year</b>
1	Premiums earned	344,912,767,732	343,966,075,587
2	Losses incurred	213,774,427,488	206,474,346,609
3	Loss expenses incurred	45,350,562,100	44,068,836,425
4	Other underwriting expenses incurred	90,569,720,032	88,902,972,884
5	Aggregate write-ins for underwriting deductions	568,959,571	165,965,134
6	Total underwriting deductions	350,263,669,197	339,612,121,060
7	Net income of protected cells	0	0
8	Net underwriting gain (loss)	(5,350,901,479)	4,353,954,545
<b>INVESTMENT INCOME</b>			
9	Net investment income earned	45,209,835,891	36,822,740,407
10	Net realized capital gains (losses) less capital gains tax of \$(1)	8,704,937,211	7,990,321,712
11	Net investment gain (loss)	53,914,773,095	44,813,062,119
<b>OTHER INCOME</b>			
12	Net gain (loss) from agents' or premium balances charged off	(1,271,379,103)	(971,971,252)
13	Finance and service charges not included in premiums	1,835,718,674	1,769,236,239
14	Aggregate write-ins for miscellaneous income	(585,125,550)	(1,414,552,299)
15	Total other income	(20,785,988)	(617,287,316)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		48,543,085,636	48,549,729,344
16	Dividends to policyholders	1,040,313,811	978,221,059
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		47,502,771,824	47,571,508,286
18	Federal and foreign income taxes incurred	7,827,420,968	11,817,439,717
19	Net income	39,675,350,856	35,754,068,570
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21	Surplus as regards policyholders, December 31 prior year	403,823,474,973	358,533,068,651
22	Net income	39,675,350,856	35,754,068,570
23	Net transfers (to) from protected cell accounts	77,371	0
24	Change in net unrealized capital gains or (losses) less capital gains tax of \$(1)	4,095,613,501	16,427,814,420
25	Change in net unrealized foreign exchange capital gain (loss)	(261,487,006)	(57,288,708)
26	Change in net deferred income tax	72,290,307	581,537,258
27	Change in nonadmitted assets	(333,106,954)	393,538,438
28	Change in provision for reinsurance	268,627,390	(101,995,461)
29	Change in surplus notes	336,221,600	1,673,319,583
30	Surplus (contributed to) withdrawn from protected cells	0	0
31	Cumulative effect of changes in accounting principles	(905,903,954)	54,085,441
32.1	Capital changes paid in	27,834,970	63,224,963
32.2	Capital changes transferred from surplus (stock dividend)	4,616,970	46,853,474
32.3	Capital changes transferred to surplus	(1,168,003,930)	(4,682,596)
33.1	Surplus adjustments paid in	13,421,389,780	9,487,948,770
33.2	Surplus adjustments transferred to capital (stock dividend)	(7,687,084)	(107,003,041)
33.3	Surplus adjustments transferred from capital	1,137,750,490	11,272,238
34	Net remittances from or (to) home office	(19,362,431)	222,716,945
35	Dividends to stockholders	(16,238,009,597)	(15,901,163,215)
36	Change in treasury stock	20,854,285	(938,922,675)
37	Aggregate write-ins for gains and losses in surplus	(2,330,701,255)	(2,314,918,085)
38	Change in surplus as regards policyholders for the year	37,796,365,321	45,290,406,327
39	Surplus as regards policyholders, December 31 current year	441,619,840,291	403,823,474,974

**APPENDIX D – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers  
During 2005**

**EXHIBIT OF PREMIUMS AND LOSSES**

**BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 2005**

Line of Business	1 Direct Premiums Written	2 Direct Premiums Earned	3 Dividends Paid or Credited to Policy- Holders On Direct Business	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Direct Defense And Cost Containment Expense Paid	9 Direct Defense And Cost Containment Expense Incurred	10 Direct Defense And Cost Containment Expense Unpaid	11 Commission & Brokerage Expenses	12 Taxes, Licenses And Fees
1 Fire	236,268,469	238,813,362	173,483	109,938,276	60,309,159	60,057,834	78,574,915	1,923,703	1,498,295	3,736,829	29,039,485	6,947,304
2.1 Allied lines	223,947,542	231,735,035	1,339,319	83,961,954	57,209,612	66,366,553	86,261,083	2,367,273	2,575,605	3,647,097	29,618,554	6,488,150
2.2 Multiple peril crop	279,530,160	277,495,394	0	4,966,211	146,412,725	225,599,314	127,157,717	759,788	(16,097,655)	940,384	26,409,641	1,321,666
2.3 Federal flood	21,092,135	19,948,974	0	10,916,334	1,255,511	1,217,724	297,999	48,963	10,863	10,863	2,923,148	192,833
3 Farmowners multiple peril	95,407,911	94,416,512	0	37,883,976	41,859,055	42,383,942	24,964,306	1,102,920	1,257,586	3,286,855	14,385,851	2,121,345
4 Homeowners multiple peril	2,220,522,515	2,198,598,156	2,557,785	1,158,545,173	985,666,959	1,002,776,640	493,321,912	25,544,414	22,643,938	61,682,552	306,198,333	37,107,629
5.1 Commercial multiple peril (non-liability portion)	892,906,200	877,138,484	236,148	436,451,280	297,598,124	318,097,281	343,716,062	15,803,569	23,748,033	50,818,505	143,665,536	18,379,431
5.2 Commercial multiple peril (liability portion)	585,280,836	575,035,576	81,522	271,497,375	244,046,655	263,822,051	995,133,033	99,688,660	123,360,130	350,756,522	91,683,545	10,554,505
6 Mortgage guaranty	257,775,908	252,159,352	0	28,942,623	69,389,456	87,842,367	420,799,080	1,468,386	1,242,345	3,378,569	576,852	5,712,526
8 Ocean marine	78,443,687	78,757,761	18,599	21,388,480	34,702,205	40,818,036	50,650,148	2,226,540	3,827,171	5,539,586	12,110,855	1,573,787
9 Inland marine	458,301,192	460,485,173	422,089	183,887,013	172,176,299	192,315,513	146,806,711	8,365,118	9,427,126	7,891,492	74,552,325	8,792,453
10 Financial guaranty	116,725,301	82,513,025	0	416,576,031	10,989,386	192,303	20,315,378	83,261	1,856,381	1,785,013	(319)	2,063,032
11 Medical malpractice	608,956,329	602,989,942	458,321	246,535,680	344,731,386	511,447,642	1,834,225,387	125,730,364	148,116,153	419,331,497	36,060,244	4,595,238
12 Earthquake	36,832,842	36,261,034	53,973	17,982,500	(15,629)	803,295	2,440,361	28,044	26,752	174,499	4,443,229	791,138
13 Group accident and health	181,570,768	159,824,983	0	132,896,459	177,459,159	(317,390,028)	(239,373,024)	1,156,998	1,239,267	984,273	95,753,274	2,699,750
14 Credit A&H (group and individual)	22,040,916	20,734,774	0	4,154,421	1,892,442	1,572,389	2,262,353	1,400	(10,483)	13,058	7,322,649	543,054
15.1 Collectively renewable A&H	377	345	0	167	0	17,440	292,044	0	0	0	7	64,703
15.2 Non-cancelable A&H	1,832	34,099	0	525,065	0	(6,329)	17,193	0	(452)	1,557	77	4
15.3 Guaranteed renewable A&H	64,113,214	58,866,821	0	247,063,400	33,092,319	42,632,054	67,072,600	13,565	25,137	187,546	7,322,229	423,342
15.4 Non-renewable for stated reasons only	41,292,914	42,397,016	2,847	9,866,541	37,117,185	33,187,625	26,543,643	480,011	199,850	399,335	2,561,419	317,477
15.5 Other accident only	22,020,899	22,017,461	(965,599)	675,064	11,125,050	12,766,698	4,935,223	8,118	16,778	6,619	3,353,428	154,990
15.6 All other A&H	9,754,325	9,236,047	0	2,064,570	3,793,596	1,844,904	4,063,398	163,639	251,656	180,928	941,609	177,162
Federal employees health benefits program premium	0	0	0	0	0	0	0	0	0	0	0	0
16 Workers' compensation	2,498,214,099	2,469,733,500	4,618,340	888,115,324	1,379,237,735	1,833,447,731	4,637,875,650	114,453,901	161,538,035	426,183,909	213,888,162	72,760,581
17 Other liability	3,050,268,364	3,080,844,036	3,104,786	1,476,256,573	1,933,199,037	2,650,882,630	8,482,454,613	293,533,279	535,162,089	1,492,533,099	237,479,730	55,386,324
18 Products liability	127,893,732	133,914,196	27,817	43,320,107	115,387,507	89,483,279	861,348,522	70,661,585	122,040,536	346,831,565	11,953,143	3,019,206
Private passenger auto no-fault (personal injury protection)	873,925	755,869	14,116	397,743	2,016,670	(10,942,766)	5,404,257	119,181	(1,957,734)	276,038	244,414	87,026
19.2 Other private passenger auto liability	3,069,381,883	3,088,639,859	3,605,781	886,867,630	1,847,718,205	1,852,166,624	2,446,305,317	141,618,078	137,347,802	371,846,723	341,755,259	28,770,877
Commercial auto no-fault (personal injury protection)	70,845	72,344	6	43,203	601,711	297,331	727,073	107,458	73,691	80,943	35,828	17,050
19.4 Other commercial auto liability	901,707,556	906,301,799	96,679	350,751,850	438,333,934	532,286,499	1,209,882,742	50,248,908	70,378,653	149,874,560	119,428,703	16,194,732
21.1 Private passenger auto physical damage	2,521,903,027	2,553,567,076	3,032,187	710,436,321	1,369,003,234	1,359,898,960	125,801,107	12,701,240	11,025,884	10,764,255	278,576,793	24,492,849
21.2 Commercial auto physical damage	309,390,451	310,970,823	78,974	128,256,160	141,765,063	140,594,458	29,927,430	2,675,849	2,746,705	3,892,671	41,716,460	5,366,954
22 Aircraft (all perils)	101,711,839	91,076,821	0	35,471,839	48,888,899	60,635,697	823,823,272	5,443,133	(6,130,062)	67,206,301	9,033,399	2,972,871
23 Fidelity	82,092,751	87,728,806	2,229	44,234,174	26,126,407	36,041,482	77,874,118	2,617,862	7,135,379	12,393,565	7,417,892	1,939,153
24 Surety	171,296,323	159,879,517	2,279	98,974,463	88,444,044	133,809,058	116,493,884	9,415,298	12,652,750	13,216,059	38,895,273	3,905,386
26 Burglary and theft	6,587,485	6,324,062	12,872	3,335,147	1,856,524	2,271,220	4,069,467	15,464	18,429	308,007	885,991	174,455
27 Boiler and machinery	50,281,322	51,015,439	6,649	23,547,888	6,912,489	6,496,204	15,851,694	155,718	281,689	815,870	5,098,118	1,100,900
28 Credit	46,751,860	43,153,269	0	13,963,212	5,357,467	13,119,157	22,222,193	148,481	261,995	487,908	6,171,237	1,229,033
33 Aggregate write-ins for other lines of business	322,741,253	455,852,035	12,221,466	674,512,421	227,062,710	242,381,495	216,528,357	3,156,880	3,643,715	3,747,505	19,726,665	3,842,249
34 Totals	19,713,952,980	19,779,288,759	31,202,663	8,805,202,640	10,362,722,283	11,531,234,305	23,567,067,193	994,032,340	1,381,472,141	3,815,212,566	2,221,229,025	332,281,163

**APPENDIX E – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2005**

**PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN**  
(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN	Premiums Written	Premiums Earned	Dividends To Policy- Holders	Incurred Loss	Defense And Cost Containment Expenses Incurred	Adjustment and Other Expenses Incurred	Unpaid Losses	Defense And Cost Containment Expenses Unpaid	Adjustment and Other Expenses Unpaid	Unearned Premium Reserves	Agents' Balances
01 Fire	5,674,038	5,639,482	7,731	3,611,280	125,323	1,317,230	4,265,542	200,937	143,769	3,298,091	1,059,261
02.1 Allied lines	5,380,488	5,353,022	9,427	9,780,953	213,904	443,059	9,826,195	275,415	162,464	2,247,634	849,566
02.2 Multiple peril crop	3,770,906	3,743,862	0	2,038,428	(45,438)	49,776	667,042	4,360	9,831	245,108	809,688
02.3 Federal flood	1,551,661	1,473,846	0	13,072,400	51,127	311,581	3,011,285	25,824	264,232	832,024	136,159
03 Farmowners multiple peril	1,186,596	1,162,273	0	572,144	21,472	77,319	399,981	48,950	33,323	555,853	237,423
04 Homeowners multiple peril	42,524,047	41,102,624	145,508	29,260,343	604,799	4,017,457	14,652,025	1,365,302	1,896,624	22,409,731	7,385,877
05.1 Commercial multiple peril (non-liability portion)	16,998,924	16,698,164	7,824	11,578,229	445,654	673,657	11,291,751	1,400,395	581,931	8,308,342	3,422,353
05.2 Commercial multiple peril (liability portion)	11,278,752	11,154,362	5,162	5,107,654	2,183,332	693,803	17,829,188	6,337,134	1,035,564	5,143,110	2,594,359
06 Mortgage guaranty	5,070,530	5,020,065	0	1,800,284	33,414	43,631	7,168,794	76,807	26,607	608,990	231,704
08 Ocean marine	3,004,782	2,974,036	1,903	2,497,524	205,777	118,995	3,528,550	298,348	78,203	987,694	588,081
09 Inland marine	11,027,797	10,766,117	9,180	7,754,935	210,055	3,837,976	5,605,434	293,429	261,193	4,264,400	1,948,234
10 Financial guaranty	3,543,690	2,595,576	0	292,020	(6,338)	2,517	684,897	(34,191)	(33,561)	12,277,615	132,535
11 Medical malpractice	5,459,235	5,410,106	23,508	2,743,289	1,360,472	246,914	12,617,356	3,768,016	775,419	2,284,564	48,201,477
12 Earthquake	1,160,579	1,120,942	2,238	233,034	19,712	12,151	334,886	31,619	17,535	558,251	173,830
13 Group A & H	6,140,251	5,967,834	0	4,227,478	38,829	200,537	2,761,764	30,754	157,586	1,309,348	1,588,842
14 Credit A & H	542,237	547,783	0	52,383	(181)	1,967	63,719	351	3,794	68,727	49,705
15 Other A & H	3,584,836	3,067,973	(670)	1,746,741	25,043	141,315	1,755,437	12,834	123,557	4,635,836	660,039
16 Workers' compensation	36,282,553	35,291,722	314,694	22,825,620	2,412,720	3,346,092	80,236,378	6,900,843	3,664,319	10,694,915	8,466,062
17 Other liability	38,752,385	37,911,643	19,460	26,309,711	6,355,944	2,783,374	90,995,398	17,496,279	3,045,622	18,465,654	7,530,651
18 Products liability	2,870,502	2,963,326	559	1,940,402	1,845,080	249,731	13,433,857	5,043,238	530,227	1,197,534	532,670
19.1 Private passenger auto liability	71,964,323	71,886,631	214,489	44,760,959	2,675,671	7,651,685	61,337,135	7,749,085	4,974,065	21,409,403	12,712,175
19.3 Commercial auto liability	17,963,166	17,902,192	7,687	9,612,287	1,031,893	1,031,603	21,838,461	2,592,964	1,047,610	7,820,885	4,570,017
21.1 Private passenger auto physical damage	49,224,458	49,295,716	175,482	28,176,990	101,922	5,285,594	2,600,315	167,133	1,206,245	14,500,207	8,707,085
21.2 Commercial auto physical damage	6,064,908	6,066,424	1,597	3,028,349	72,201	411,607	727,984	93,104	96,679	2,665,382	1,431,385
22 Aircraft (all perils)	2,821,904	2,765,101	0	1,351,261	186,155	38,754	4,378,050	405,285	39,372	1,015,038	460,354
23 Fidelity	1,317,672	1,323,166	333	556,142	52,362	48,841	1,221,108	138,684	46,524	708,882	254,054
24 Surety	4,122,730	3,994,671	15,167	1,545,019	304,125	117,317	2,902,232	418,927	138,143	2,305,312	587,020
26 Burglary and theft	123,469	122,514	37	25,179	1,115	11,165	45,584	4,522	2,748	63,629	37,562
27 Boiler and machinery	1,128,348	1,138,750	110	218,536	19,892	53,109	372,873	31,916	17,909	528,002	185,313
28 Credit	1,114,780	874,490	139	398,081	7,226	6,957	344,185	7,630	3,468	893,232	116,567
29 International	41,904	54,238	0	(2,970)	(4,818)	9,795	36,356	(3,729)	(2,362)	13,353	2,183
33 Aggregate write-ins for other lines of business	3,955,059	4,128,248	17,748	3,180,551	47,637	90,010	4,394,516	144,110	82,517	7,356,300	348,610
34 Total	365,647,528	359,516,896	979,324	240,295,307	20,596,093	33,325,538	381,328,244	55,326,310	20,431,166	159,673,092	116,010,868

**APPENDIX E (continued) – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2005**

**PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN**  
(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN		Commission And Brokerage Expenses Incurred	Taxes, Licenses and Fees Incurred	Other Acquisitions, Field Supervision and Collection Expenses Incurred	General Expenses Incurred	Other Income Less Other Expenses	Pre-tax Profit or Loss Excluding all Investment Gain
01	Fire	784,078	158,531	306,346	411,840	6,578	(1,076,313)
02.1	Allied lines	597,472	138,003	278,291	385,884	(11,785)	(6,505,776)
02.2	Multiple peril crop	181,994	2,958	(20,623)	93,000	(107,479)	1,336,284
02.3	Federal flood	261,685	24,241	10,438	15,248	2,990	(12,269,876)
03	Farmowners multiple peril	204,206	21,761	79,538	62,020	(5,378)	118,434
04	Homeowners multiple peril	5,740,848	1,077,220	2,947,513	1,782,173	208,937	(4,264,319)
05.1	Commercial multiple peril (non-liability portion)	2,669,676	446,667	1,039,366	954,262	(27,531)	(1,144,725)
05.2	Commercial multiple peril (liability portion)	1,826,465	263,190	668,738	651,461	(16,277)	(261,726)
06	Mortgage guaranty	8,693	118,178	258,072	665,847	(23,720)	2,068,228
08	Ocean marine	490,240	44,482	130,570	142,041	(67,586)	(725,091)
09	Inland marine	1,647,544	264,475	527,323	495,463	(53,061)	(4,033,924)
10	Financial guaranty	285	78,557	377,597	329,271	24,101	1,545,766
11	Medical malpractice	358,149	89,196	116,371	308,667	(11,241)	152,291
12	Earthquake	132,562	25,530	51,576	51,016	(849)	592,274
13	Group A & H	621,252	70,076	187,207	225,326	(73,763)	323,362
14	Credit A & H	159,410	16,545	30,311	48,770	4,914	243,492
15	Other A & H	528,611	29,598	153,134	246,426	(105,568)	92,199
16	Workers' compensation	2,534,548	1,938,559	1,730,437	1,777,169	(625,440)	(2,213,607)
17	Other liability	4,648,946	867,969	1,754,622	1,783,896	(579,752)	(7,192,059)
18	Products liability	321,548	58,897	140,399	153,855	(7,211)	(1,754,357)
19.1	Private passenger auto liability	6,310,058	1,691,252	5,229,646	3,507,029	501,324	347,160
19.3	Commercial auto liability	2,445,722	476,913	931,640	977,188	(95,941)	1,291,328
21.1	Private passenger auto physical damage	4,368,906	1,136,087	3,576,460	2,301,162	307,016	4,480,120
21.2	Commercial auto physical damage	838,029	154,293	363,691	369,269	(4,520)	822,860
22	Aircraft (all perils)	267,082	45,886	83,438	51,819	(82,749)	657,958
23	Fidelity	153,763	35,479	111,664	79,687	(19,008)	265,884
24	Surety	969,848	115,517	369,426	276,977	12,204	293,471
26	Burglary and theft	18,298	4,080	12,676	10,585	(743)	38,625
27	Boiler and machinery	96,079	28,908	103,127	119,360	(5,733)	493,897
28	Credit	287,856	27,831	33,594	75,629	19,746	56,923
29	International	3,044	336	3,134	6,931	(97)	38,691
33	Aggregate write-ins for other lines of business	440,469	96,657	74,526	199,384	(108,760)	(127,485)
34	Total	39,917,411	9,547,911	21,660,268	18,558,659	(946,381)	(26,310,000)



Requests for copies of this report or questions regarding any information contained in this report should be directed to the Cost Containment Section, Division of Insurance, Illinois Department Financial and Professional Regulation, 320 W. Washington, Springfield IL 62767-0001. Phone (217) 785-2228; Fax (217) 782-2244. Printed by the authority of the State of Illinois. Printed in-house.